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

MONEYVAL(2011)4

Croatia

Progress report and written analysis by the Secretariat of Core Recommendations [1]

13 April 2011

[1] Second 3rd Round Written Progress Report Submitted to MONEYVAL

Croatia is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 35th Plenary meeting (Strasbourg, 11-14 April 2011). For further information on the examination and adoption of this report, please refer to the Meeting Report (ref. MONEYVAL(2011)8) at http://www.coe.int/moneyval

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This is the second 3rd Round written progress report submitted to MONEYVAL by the country. This document includes a written analysis by the MONEYVAL Secretariat of the information provided by Croatia on the Core Recommendations (1,5, 10, 13, SR.II and SR.IV), in accordance with the decision taken at MONEYVAL's 32nd plenary in respect of progress reports.

Croatia

Second 3rd Round Written Progress Report Submitted to MONEYVAL

1. Written analysis of progress made in respect of the FATF Core Recommendations

1.1 Introduction

1. The purpose of this paper is to introduce Croatia's second progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the third round mutual evaluation report (MER) on selected Recommendations.

2. Croatia was visited under the third evaluation round from 25 to 30 September 2006 and the mutual evaluation report (MER) was examined and adopted by MONEYVAL at its 26th Plenary meeting (31 March – 4 April 2008). According to the procedures, Croatia submitted its first year progress report to the Plenary in March 2009.

3. This paper is based on the Rules of Procedure as revised in March 2010 which require a Secretariat written analysis of progress against the core Recommendations[1]. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rules 38-40). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, both documents being subject to subsequent publication.

4. Croatia has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the core Recommendations.

5. Croatia received the following ratings on the core Recommendations:

R.1 – Money laundering offence (PC)
SR.II – Criminalisation of terrorist financing (PC)
R.5 – Customer due diligence (NC)
R.10 – Record Keeping (LC)
R.13 – Suspicious transaction reporting (PC)
SR.IV – Suspicious transaction reporting related to terrorism (NC)

6. This paper provides a review and analysis of the measures taken by Croatia to address the deficiencies in relation to the core Recommendations (Section II) together with a summary of the main conclusions of this review (Section II). This paper should be read in conjunction with the progress report and annexes submitted by Croatia.

[1] The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

7. It is important to be noted that the present analysis focuses only on the core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account, to the extent possible in a paper based desk review, on the basis of the information and statistics provided by Croatia, and as such the assessment made does not confirm full effectiveness.

1.2 Detailed review of measures taken by Croatia in relation to the Core Recommendations

1. Main changes since the adoption of the MER

8. Since its mutual evaluation in September 2006, and the adoption of the MER in 2008, Croatia has taken several measures to develop and strengthen its AML/CFT system, some of which being relevant in the context of addressing the deficiencies identified in respect of the core Recommendations:

- At policy level, it adopted an AML/CFT action plan (31 January 2008), whose implementation is closely followed up, and reports on the implementation of the action plan with information on progress made by each relevant institution and the AML/CFT system as a whole are being prepared and presented by the Minister of Finance to the Government;
- On a legislative level, it adopted several laws, which are of relevance in this context and in particular a new AML/CFT Act in July 2008 (in force in January 2009), the Law on amendments to the Criminal Code (OG 152/08, in force from 1 January 2009), the new Criminal Procedure Code (in force partly as of 1st of July 2008 and fully from 1st of September 2011), the amendments to the Act on the responsibility of legal persons for criminal offences (OG No. 110/07), the Act on proceedings for the confiscation of pecuniary benefit resulting from criminal offences and misdemeanors (OG 145/10, dated December 2010 and which entered into force on 1st January 2011).
- The regulatory and supervisory authorities have adopted several rulebooks and guidelines in 2008 and 2009 to assist the relevant competent authorities, financial institutions and DNFBPs to implement the requirements under the AML/CFT Act. A new system for collection of statistics and reporting of that data to the Anti-Money Laundering Office (AMLO), on a regular basis was also formally put in place as of 2009.
- the Ministry of Finance issued in total 9 implementing Rulebooks on the implementation of the following provisions of the AML/CFT Act :
  - *article 7, paragraph 5* on the conditions under which obligated persons have to identify customers as customers who pose a negligible ML or TF risk (June 2009)
  - *article 15, paragraph 2* -on the content and type of data on the payer accompanying electronic funds transfer, the payment service providers' obligations and related exemptions (December 2008);
  - article *16, paragraph 2 and Article 40* on aspects regarding the reporting of cash transactions (December 2008) ;
  - article 16, paragraph 2 and Article 42 on the obligation to report suspicious transactions and persons to the AMLO (December 2008);
  - *article 28, paragraph 6* on outsourcing CDD to third persons (June 2009);
  - *article 54 and article 81, paragraph 6* on the procedures for reporting suspicious transactions and record keeping by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services (December 2008);

- *article 74 and article 81, paragraph 6* on record keeping requirements and reporting of cash movements across the border (December 2008);
- *article 82 paragraph 2* on statistics collection and supply to the AMLO by competent bodies (June 2009);
- *article 82 paragraph 3* on data collection and supply to the AMLO on misdemeanour proceedings (June 2009).

- the Croatian National Bank issued in January 2008 Guidelines for the analysis and assessment of ML and TF risks for credit institutions and credit unions which were subsequently and then adopted new guidelines on this matter in July 2009;
- the Financial Services Supervisory Agency issued in September 2009 new Guidelines of the implementation of the AML/CFT Act for the reporting entities within its competence (investment fund management companies; pension companies; insurance companies, branches, agents and intermediaries in the area of life insurance; investment firms/brokers, legal and natural persons performing factoring or leasing activities);
- the Financial Inspectorate of the Ministry of Finance issued guidelines for auditors, accountants and tax advisors (November 2008) and guidelines for the implementation of the AML/CFT Act for lawyers and public notaries (November 2009).

- On an institutional level, several changes were introduced within the structure of the AMLO, also a new body within the Ministry of Finance was established as the AML/CFT specialized central on-site supervisory agency (Act on the Financial Inspectorate, July 2008) - and within the Ministry of the Interior, a new body was established as the Central police investigation unit responsible for organised crime and corruption – PNUSKOK (police national office for suppression of corruption and organised crime), which is also responsible as the central national body for police financial investigations and ML investigations;
- On an inter-institutional level, a protocol on cooperation and establishment of the inter-institutional working group on AML/CFT was signed and entered into force on 1st March 2007, and now gathers 12 governmental institutions and agencies[2].

9. Croatia reported also having benefited from a 1.5 years AML/CFT twinning project (2006-2007) which included 4 components (inter-agency cooperation and data exchange, legal framework overview and optimisation of the case management, international cooperation improvement, IT analysis and joint IT system has taken several measures have been taken aimed at developing and strengthening its AML/CFT system), a number of activities and 50 workshops being organised for governmental agencies and institutions and private sector representatives.

10. Croatia has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as indicated in the progress report, however these fall outside of the scope of the present report and thus are not reflected therein.

2. Review of measures taken in relation to the Core Recommendations

Recommendation 1 - Money laundering offence (rated PC in the MER)

11. Deficiency 1 identified in the MER (*Some of the legislative provisions need further clarification, particularly : a) precise requirements for extra-territorial offences in respect of dual criminality b) coverage of indirect proceeds deriving from property other than money; c) the scope of the money laundering offence is limited to "banking, financial or other economic operations").*Croatia reported

[2] Ministry of Justice, State Attorney's Office (SAO), Ministry of the Interior – Police Headquarters, Ministry of Finance (Finance Intelligence Unit, Customs Administration, Tax Administration, Financial Inspectorate (previously Foreign Exchange Inspectorate) , Financial Police), Croatian Financial Services Supervisory Agency, Croatian National Bank, Security Intelligence Agency and the Ministry of Foreign Affairs and European Integration.

already at the time of the first progress report that it had amended its Criminal Code, and in particular the ML offence (article 279 of the Criminal Code), and that the amendments to the Criminal Code entered into force as of 1st of January 2009 (OG 152/08). These amendments address most of the concerns raised in the mutual evaluation report, namely:

- the actus reus now applies to "banking, financial or other operations" and is no longer limited to "economic operations", which thus can be interpreted in a broader sense;
- transfer of property appears now to be covered;
- the object of the ML offence is extended now to property, objects, rights or proceeds
- the ML offence covers extraterritorial predicate offences under the condition of dual criminality.
- also proceeds have now been defined (amended article 89, paragraph 37).

12. However, the concealment or disguise of the true nature, location, disposition, movement rights with respect to or ownership of property, knowing that such property is derived from an offence, still appear to remain uncovered.

13. Deficiency 2 identified in the MER *(Significant backlogs both in general terms and especially in money laundering cases are seriously threatening the effectiveness of the AML system).*Serious concerns were raised in the MER regards backlogs generally in criminal cases and the problem of long lasting court investigations, which was explained as partially caused by the lack of experience and lack of specific education, particularly in economic crime offences as predicate offences for ML offence and the lack of competent forensic financial experts. The authorities pointed at several measures aimed at solving this issue. At a policy level, the AML/CFT Action Plan included several measures to address the significant backlogs. At the time of the first progress report submitted in 2009, the authorities reported that the Supreme Court had issued an instruction to all courts regarding the priority to be given to older cases (and in particular certain types of cases, including ML cases) and that changes to the Court's Standing Order required that urgent proceedings were initiated for USKOK cases (which is also competent for certain ML cases). Furthermore, as of January 2009, with the (partly) entry into force of the new Criminal Procedure Code, the new rules set out precise timelines (i.e. orders for investigation are now issued within 90 days from the date of entry of the crime report in the crime report register) which is believed to enhance the procedure and to impact in the long term on the backlog of cases. As of 1st of July 2009, the competent State Attorney's Offices and competent courts are required to provide data on persons and proceedings initiated on ML and FT offences twice a year, which should indicate the stage of the proceedings, thus giving the authorities a timely picture of the situation of the backlog and pending cases.

14. Deficiency 3 identified in the MER *(There have been no convictions or final decisions in any money laundering case since 2003). A* new system for the collection of judicial statistics was put in place in 2009 which provides now a clearer picture on the numbers of investigations, indictments and convictions. Croatia had reported previously having achieved 4 convictions for ML in 2007 and 5 in 2008. The updated information shows a slight increase in the number of convictions, as in 2009 and 2010, 6 additional convictions were achieved each year. 1 final conviction was achieved in 2009 and 2 in 2010. More importantly, as regards money laundering offences, the authorities reported that in 2009 there were 16 investigations, 15 indictments and 13 court rulings (out of which as regards self laundering cases, there were 12 investigations, 13 indictments and 8 court rulings). In 2010, there were a total of 11 investigations, 20 indictments and 8 court rulings (out of which as regards self laundering cases, there were 8 investigations, 9 indictments and 8 court rulings). In 2011, an investigation was also initiated against a legal entity for money laundering. The major underlying predicate offences in most cases concern criminal offences related to drug abuse, abuse of bankruptcy procedures, abuse of authority in business operations). The information above indicates that the effectiveness of the implementation of the ML offence is improving since the mutual evaluation, as the average number of ML convictions is now on the rise.

15. In conclusion, Croatia appears to have addressed the majority of the recommendations made in the third round MER, and as such many of the technical deficiencies in its ML offence. it should however be noted that the inadequacies as regards the TF offence (see below) impact on Croatia's compliance with Recommendation 1. The effectiveness in investigating and prosecuting ML offences remains to be evaluated in the context of the follow up evaluation round, in particular as regards whether the results achieved are commensurate to the ML risks in the country, and also as regards the handling of the backlog and the measures taken to strengthen the expertise among the judiciary on economic crimes.

Special Recommendation II - Criminalisation of terrorist financing (rated PC in the MER)

16. Deficiency 1 identified in the MER (*Financing of terrorism is only to a very limited extent provided for as an autonomous offence)*. Croatia reported having addressed this deficiency by adopting the amendments to the Criminal Code by introducing an autonomous offence – Terrorism - which amended the previous article 169 [3] in order to cover also acts of terrorism against Croatia and a detailed list of acts of terrorism, while the financing of terrorism is criminalized as "planning criminal offences against values protected by international law" under article 187 (a); as set out below. The amendments made seem to have remedied the concerns raised previously in the MER regarding the fact that different approaches were followed depending on whether a terrorist act or a related offence was associated with domestic or international terrorism, through the amendment made to article 169. However these amendments do not appear to cover adequately the recommendation formulated regarding the introduction of an autonomous offence which addresses all the essential criteria in SR.II.

17. Deficiency 2 identified in the MER (*The present incrimination of terrorist financing appears not wide enough to clearly sanction: a) the provision or collection of funds for a terrorist organization for any purpose, including legitimate activities; b)- the collection or provision of funds with the unlawful intention that they should be used in full or in part by an individual terrorist for any purpose (as above) and c)- as*

[3] Article 169 "Terrorism" (as amended)

(1) Whoever, for the purpose of causing major fear among the population, for the purpose of forcing the Republic of Croatia, foreign states or international organisations to do or not to do something, for the purpose of causing suffering, or for the purpose of seriously jeopardising or destroying the fundamental constitutional, political or social values, the constitutional structure of state authority and the economic units of the Republic of Croatia, of a foreign state or an international organisation, commits one of the following acts:

a) attacking a person's life, physical integrity or freedom;

b) kidnapping or taking of hostages;

c) destruction to state or public facilities, a transport system, infrastructure, including IT systems, fixed platforms located on the continental shelf, a public place or private property likely to endanger human life or cause major economic loss;

d) hijacking of aircraft, ships or other means of public transport or transport of goods for which is likely it can jeopardise human lives

e) manufacture, possession, acquisition, transport, supply or use of weapons, explosives, nuclear or radioactive material or devices, nuclear, biological or chemical weapons;

f) research and development of nuclear, biological or chemical weapons;

g) releasing dangerous substances, or causing fires, explosions or floods or undertaking other generally perilous acts which may endanger people's lives;

h) disrupting or interrupting the supply of water, electricity or other fundamental natural resources whose effect may endanger people's lives

shall be punished by imprisonment for not less than five years.

(2) Whoever threatens to commit the criminal offence referred to in paragraph 1 of this Article shall be punished by imprisonment for one to five years.

(3) If the perpetrator, while committing the criminal offence referred to in paragraph 1 of this Article, causes the death of one or more persons with intent, he shall be punished by imprisonment for not less than ten years or by long-term imprisonment.

(4) If, by the criminal offence referred to in paragraph 1 of this Article, the death of one or more persons or large-scale destruction was caused, the perpetrator shall be punished by imprisonment for not less than ten years."

far as domestic terrorism is concerned - the collection of funds with the intention or in the knowledge that they should be used in full or in part to carry out terrorist acts as referred to in Art. 2(a) and (b) of the Terrorist Financing Convention, irrespective of whether or not the funds are actually used to (attempt to) carry out a terrorist act.)

18. The amended article 187a reads as follows:

*Article 187a "**Planning Criminal Offences against Values Protected by International law"***
(1) Whoever removes obstacles, makes a plan or arrangements with others or undertakes any other action to create the conditions for the direct perpetration of criminal offences referred to in Articles 156 through 160, Articles 169 through 172, and Articles 179 and 181 of this Code shall be punished by imprisonment for one to five years.
(2) The punishment referred to in paragraph 1 of this Article shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article."
(3) The perpetrator of the criminal offence referred to in paragraph 2 of this Article shall be punished irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article and irrespective of whether the act has been attempted.
(4) The funds referred to in paragraph 2 of this Article shall be forfeited.

19. The current FT offence under the Croatian legislation continues to suffer from a number of deficiencies. The Croatian authorities consider that the material elements of the offence are addressed, while from reading article 187a) paragraph 2, it is not explicit that the unlawful intent element is covered, as required under the international standards.

20. Also, pursuant to Article 2 of the TF Convention, countries are required to criminalize the financing of "terrorist acts," whereby the term includes (1) conduct covered by the offenses set forth in the nine conventions and protocols listed in the Annex to the TF Convention and (2) any other act intended to cause death or serious bodily injury to a civilian, or to 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.

21. The FT offense under 187a paragraph 2 technically refers only to the offense set forth under paragraph 1 (i.e. giving or raising funds to be used for the purpose of removing obstacles, making a plan or arrangements with others or undertaking any other action to create the conditions for the direct perpetration of criminal offences referred to in Articles 156 through 160, Articles 169 through 172, and Articles 179 and 181*)*. The articles referred to in this context cover the following offences: 156 (genocide), 157 (war of aggression), 157a (crimes against humanity), 158 (war crimes against the civilian population), 159 (war crimes against the wounded and sick), 160 (war crimes against prisoners of war), 169 (terrorism), 170 (public incitement to terrorism), 169b (recruitment and training for terrorism), 170 (endangering the safety of internationally protected persons), 171 (taking of hostages), 172 (abuse of nuclear or radioactive material), 179 (hijacking an aircraft or a ship), 181 (endangering the safety of international air traffic and maritime navigation). The terrorist acts for which the financing is intended do not cover the full range and scope of terrorist acts which should be established pursuant to the requirements of the nine international conventions and protocols.

22. Furthermore, the scope of terrorist acts under article 169 (Terrorism offence) is too narrow as it has an unnecessary purpose element built within the offence - i.e. "for the purpose of causing major fear among the population, for the purpose of forcing the Republic of Croatia, foreign states or international

organisations to do or not to do something, for the purpose of causing suffering, or for the purpose of seriously jeopardising or destroying the fundamental constitutional, political or social values, the constitutional structure of state authority and the economic units of the Republic of Croatia, of a foreign state or an international organisation".

23. As it was already commented in the MER under the third evaluation round, there are no explicit provisions criminalizing the provision or collection of funds with the unlawful intention that they should be used in full or in part, for any purpose, by a terrorist organisation or an individual terrorist. The Croatian authorities consider that the offence can be interpreted to cover those. However the FT offence would still not cover the financing of terrorist organisations and individuals other than when linked to the commission of a terrorist act.

24. The statutory definition of TF requires awareness of the fact that the funds are intended to be used to commit one or several terrorist acts, though it is not required that the funds were actually used for such an act. However as mentioned earlier, due to references to the specific criminal offence under paragraph 1, it requires the funds to be linked to a specific terrorist activity. This is not is not in line with the convention which doesn't require such link to be established and could be an important limitation for effective use in the practice.

25. The authorities indicated that the ancillary offences under criterion II.1(e) are covered under the general part of the Criminal Code (articles 35 on principal and accomplices, article 36 on punishment of accomplices, article 37 on Instigator, article 38 on aiding and abetting) and would apply in this context to ensure that a person also commits an offence for participating as an accomplice in FT, for organizing or directing others to commit FT, for contributing to the commission of FT by a group of persons acting with a same purpose. Paragraph 3 of article 187a also explicitly provides that the perpetrator of the offence under paragraph (2) shall be punished irrespective of whether the act has been attempted.

26. The TF offence is a predicate offence for ML, however, considering the gaps, it does not constitute a complete predicate offence to money-laundering.

27. The sanctions for offenses referred to under paragraph 1 of article 187a range from imprisonment of not less than one year to imprisonment for not less than ten years or long term imprisonment. The financing of such offences can be punished under article 187a with imprisonment between 1 and 5 years and with confiscation of funds, depending on the severity of the underlying offense. While sanctions under 187a appear to be broadly similar with sanctions available for money laundering (non aggravated form) or fraud, they appear to be much weaker than the sanctions available for other serious offenses under the Croatian law, such as for example trafficking in human beings, counterfeiting of money (1 to 10 years); or drug trafficking (1-12 years). Though the report does not refer to this in the action plan as a deficiency, when one takes into consideration the sanctions available for terrorism financing offenses in other MONEYVAL member countries, including in neighboring countries, it cannot be concluded that the penalties set for the TF offence under 187a meet the requirements of proportionality and dissuasiveness.

28. Also, criminal sanctions for legal persons can be applied pursuant to the Act on the responsibility of legal persons for the criminal offences (OG 151/03 as amended OG 110/07), and thse include fines (ranging between HRK 10.000 to 6.000.000, approximately EUR 1370 - 818000), security measures (ban on performance of certain activities or transactions, ban on obtaining a licence, authorization, concession or subvention, ban on transactions with beneficiaries of the national or local budget, and confiscation, including of illegally gained benefits) and termination of the legal entity.

29. The FT offence has never been tested in practice. The FIU has been disseminating to law enforcement authorities several STRs related to FT related reports for further investigation (2007:1; 2008: 6; 2009: 8; 2010 – 7), though the investigations have not resulted in any prosecutions nor convictions.

30. In conclusion, the amendments to the Criminal Code adopted since the MER do not appear to have fully remedied the shortcomings and several concerns remain as outlined above. Croatia indicated that it is in the process of drafting a new Criminal Code and that in this context, this issue will be revisited, though as of now it remains unclear how advanced this process is and what is the timescale for taking it forward. In conclusion, despite legal amendments brought into force, there appear to remain several deficiencies in the implementation of the requirements under SR.II.

Recommendation 5 - Customer due diligence (rated NC in the MER)

31. Croatia's legal system for AML/CFT is now based on the AML/CFT Act which was adopted on 15 July 2008, complemented by several relevant bylaws and guidelines issued by the competent regulatory and supervisory authorities in 2008 and 2009. With the adoption of these acts, Croatia strengthened its preventive regime and improved its compliance with the requirements of R.5.

32. Deficiency 1 identified in the MER *(Anonymous accounts and accounts in fictitious names are only prohibited for certain types of accounts; where it is forbidden it is unclear how many of these accounts existed before 2003 and how many of them were closed afterwards)*. Financial institutions are no longer permitted to open, issue or keep anonymous accounts, coded or bearer passbooks for customers or other anonymous products (article 37) and a clear requirement was introduced under article 103 of the AML/CFT Act requiring them to close all opened accounts within 30 days upon entry into force of the AML/CFT law (i.e. February 2009). The authorities indicated that this aspect was specifically covered in the context of the on-site examinations that they have conducted that that no anonymous accounts and other similar products are being kept in Croatia.

33. Deficiency 2 identified in the MER (*There is no legal obligation which covers customer identification: a) when carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR VII; b) when the financial institution has doubts about the veracity or adequacy of previously obtained identification data; c) when there is a suspicion of terrorist financing*). Reporting entities are obliged to undertake CDD as per the obligations under article 9, while CDD measures are defined under article 8 of the AML/CFT Law.

34. Article 9 does not explicitly cover an obligation for reporting entities to conduct CDD for occasional transactions that are wire transfers, however this issue is covered by the requirements under Article 15 of the AML/CFT Act, which have been further detailed in the Rulebook issued by the Ministry of Finance in December 2008. The obligation to undertake CDD measures under article 9 paragraph 1 item 2 in situations where several transactions appear to be linked seems to be of a higher threshold "several transactions which appear to be clearly linked". Article 9 paragraph 1 item 3 sets out the requirement when the reporting entity has doubts about the credibility and veracity of previously obtained customer or customer beneficial owner information, which seems rather to be a cumulative situation. Article 9 paragraph 1 item 4 also requires to conduct CDD in all instances when there is a suspicion of money laundering or terrorist financing, regardless of any value thresholds.

35. Deficiency 3 identified in the MER *(Croatian legislation does not provide for a concept of "beneficial owner" as required by the Methodology)*. The new legislation now defines the beneficial owner (article 23), and sets out provisions on identification of a customer's beneficial owner (article 24) which overall address the concerns expressed previously.

36. Deficiency 4 identified in the MER *(The documents which can be used for verification of identification are not sufficiently determined by Croatian Law).* Requirements to identify and verify the customer's identity are covered in detail under articles 17 (natural persons), 18 (legal persons), 19 (legal person's legal representative), 20 (legal or natural person's authorized by power of attorney) and the data to be collected is detailed under article 16. Croatia considers that verification of the legal status of a legal person covers more than the simple collection of data referred to in article 16 para 1 item 5 (i.e. obtain the name, seat and business registration number) by examining the original or notarized photocopy of documentation from court or other public register and includes obtaining information concerning the legal form, address, directors etc. There seems to be no explicit requirement that for all customers the financial institutions should determine whether the customer is acting on behalf of another person. The documents which can be used for identification and verification have been addressed both in the legislation and in guidelines issued by supervisory authorities. Article 3 item 30 of the AML/CFT law defines what shall constitute an official personal document, while in the CNB's guidelines (Item 6.5) and HANFA's guidelines, additional clarifications have been made as regards other documents, data or information on the basis of which the customers' identity could be verified.

37. Deficiency 5 identified in the MER *(There is no requirement regarding: a) the purpose and nature of the business relationship, b) ongoing CDD, c) enhanced CDD or d) conducting CDD on existing customers).* The CDD measures listed under article 8 paragraph 1 item 3 include the requirement to obtain information on the purpose and intended nature of the business relationship or transaction and other data. Article 26 requires reporting entities to conduct ongoing due diligence on the business relationship and these requirements have also been detailed further in the guidelines issued by supervisory authorities. On-going due diligence includes scrutiny of the customer's business with the intended nature and purpose of the business relationship, and monitoring that the transactions are consistent with the declared scope of business and the institutions' knowledge of the customer, including the knowledge of the source of funds, and the risk profile. Article 26 paragraph 3 requires reporting entities to ensure that the frequency of the on-going measures are adapted to the ML/FT risks (as defined under Article 7). The reporting entities are also required to monitor and update the collected documents and information on customers and, in the case of foreign legal persons, as set out in article 27, to repeat the CDD at least once a year.

38. The AML/CFT Act sets out 3 cases where enhanced due diligence measures should be conducted (article 30, 31, 32, 33) and refer to cases of establishment of a correspondent relationship with a bank or other similar credit institution seated in a third country, the establishment of a business relationship and transactions with a customer who is a PEP, instances where the customer was not present in person during identification and identity verification during the course of due diligence measures implementation. The reporting entity may also apply enhanced CDD measures in other circumstances where a higher degree of risk exists, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer. Cases where a reporting entity may decide to apply simplified CDD measures are listed in article 35 and the data to be gathered in such circumstances under article 36, however full CDD measures should be applied in instances where there are reasons for suspicion of ML or TF in relation to a customer or a transaction.

39. It is to be noted that the AML/CFT law provides in article 14 for exemptions from conducting CDD for some products, except in case where there are suspicions of ML or FT:

- life insurance policies where the individual annual premium is no more than EUR 1000 or the single premium is no more than EUR 2500
- insurance policy for pension schemes if there is no surrender clause or the policy cannot(t be used as collateral or a contract is entered into with a close end pension fund if the employer pays the contributions into the voluntary pension fund on behalf of the fund's employee
- issuance of e-money if the single payment executive is below EUR 150

- issuance of e-money and performing business if the total amount of executed payments, stored on an electronic data carrier which may be recharged, does not exceed YEAR 2500 for a calendar year, save for cases in which the holder of e-money cashes out the equivalent of EUR 1000 or more during the same calendar year.
- possibly (if the Ministry of Finance issues a rulebook) certain threshold transactions set out under article 9 paragraph 1 item 2 and in respect of other products and transactions.

40. This provision sets out an exemption from CDD requirements rather than a simplification of standard CDD, which is not in line with R.5.

41. As regards existing customers, this issue is addressed under article 102 of the AML/CFT and all reporting entities were required to conduct CDD of al existing customers within one year from the entry into force of the law (i.e. January 2010) for which the reporting entity shall establish, in application of article 7 (Assessment of ML or TF risks) that a ML or TF risk shall or might exist.

42. Deficiency 6 identified in the MER (*The Croatian preventive system does not provide a "risk based approach" requiring financial institutions to perform enhanced CDD measures for higher risk categories of customers, business relationships, transactions and products).* The requirements under the new AML/CFT Act allows reporting entities to take a risk based approach when carrying out certain CDD requirements and requires them to develop their own risk analysis processes and apply those to the customers, business relationships, products or transactions . A ML or TF risk is defined as the risk whereby a customer may abuse the financial system for ML or TF purpose, or that a business relationship, a transaction or a product shall be directly or indirectly used for ML or TF purposes. The AML/CFT Act and guidelines issued by supervisory authorities identify certain higher risk situations and customers and clarify measures to be taken in such cases.

43. Deficiency 7 identified in the MER *(The exemptions from identification which are stipulated by the AML Law and the AML By-law raised concerns).* The exemption from identification in the situations of "withdrawal of money from debit, checks and savings accounts by physical persons under the previous AML Act has been eliminated.

44. The new AML/CFT law and the complementing rulebooks and guidelines strengthen the Croatian regime with regard to customer identification and address most of the deficiencies relating to R.5 in the MER. Though these were not raised previously as a deficiency, it is questioned whether all the aspects under Criterion 5.14 are duly covered by the new provisions for instances where financial institutions are permitted to complete the verification of the identity of the customer and beneficial owner following the establishment of the business relationship. The reporting entities were required to make their operations compliant with the new requirements within 6 months from the entry into force of the law (i.e. as of July 2009) and the MOF to issue regulations within its remit within the same time period. Effectiveness of implementation of the new provisions in the AML/CFT law remains to be demonstrated and is limited in the context of a desk based review.

Recommendation 10 - Record-keeping (rated LC in the MER)

45. Deficiency 1 identified in the MER *(There is no requirement in law or regulation to keep documents longer than five years if requested by a competent authority).* The record keeping provisions under the new AML/CFT Act (article 78) oblige reporting entities to keep the data collected as required under this law and the accompanying documentation for a period of ten years after the execution of a transaction, the termination of the business relationship, the entry of a customer into a casino or getting access to a safe deposit box. Lawyers, law firms and public notaries, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory

authorities are required to keep the data and accompanying documentation for a period of ten years after the completion of customer identification. Croatia also referred in this context to the new Accounting Act (enacted in October 2007) which provides which business books and bookkeeping documents should be kept as well as the time period (on average 7-11 years) and indicated that changes to business keeping procedures were already being implemented and that records were now being kept in accordance with the time period set out under the AML/CFT law as *lex specialis*.

46. Deficiency 2 identified in the MER *(Apart from the banking sector, the record keeping provisions do not mention collecting or maintaining account files or business correspondence)*. The Act clearly sets out in Article 81 which records should be kept by the reporting entities, which cover broadly records on customers, business relationships and transactions, and data required for submitting the threshold based cash transactions and the suspicious transactions. Though accounts files and business correspondence are not explicitly set out, the authorities indicated that this requirement is fully embodied in application of article 81 and article 9 of the AML/CFT law and also as part of the requirements set in relation to the on-going monitoring described under article 8. The Ministry of Finance has issued in 2008 a Rulebook for lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons which covers additional information on the contents of records to be kept.

Recommendation 13 – Suspicious transaction reporting (rated PC in the MER)

47. The legal basis for reporting obligations is now set out in the AML/CFT Law (Section 7 – reporting transactions to the office – articles 40-43 and Chapter III – article 54), which is further complemented by STRs related rulebooks and guidelines. The reporting entities are required to produce lists of indicators for the detection of suspicious transactions and customers and to update those lists while the regulatory and supervisory authorities and the professional associations should cooperate with reporting entities for the purpose of producing those lists. Pursuant to article 41 paragraph 6, the Ministry of Finance is authorized to issue a rulebook prescribing the mandatory inclusion of individual indicators into the list of indicators of reporting entities. No rulebook was issued in application of this article by the Ministry of Finance, however the authorities indicated that general and sectoral lists of indicators were issued by the competent supervisory authorities and professional associations[4].

48. Deficiency 1 identified in the MER *(There is no clear obligation to report STRs on terrorism financing)*. Pursuant to article 42, financial institutions are required by law to report to the FIU any transaction when it knows, suspects or has grounds to suspect that:

1. the transaction involves funds stemming from illegal activities or is linked with terrorist financing, given the ownership, nature, source, location or control of such funds;
2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing;
3. the transaction is intended to avoid regulations providing for money laundering or TF prevention measures;

[4]The Croatian authorities indicated that lists of indicators for recognizing suspicious persons and transactions were issued by the Croatian Association of Banks for the banking sector (April 2009). The HANFA's guidelines for auditors, accountants and tax advisors issued in 2008 as well as Guidelines for lawyers, law firms and notaries public, issued in 2009 both published on the Ministry of Finance website, include general as well as sector specific indicators for the mentioned sectors. Additional sectoral lists of indicators were issued by the professional associations for investment funds (May 2009), insurance companies (May 2009), investment firms/brokers (May 2009), leasing companies (May 2009), insurance intermediaries (June 2009). These texts are not available in English and were not communicated /attached to the progress report.

4. in all instances where the reporting entity judges that there shall be reasons for suspicion of ML and FT in relation with a transaction or a customer (to be noted though that the authorities indicated that it does not have the meaning that this should be seen cumulatively).

49. The requirement clearly applies to reporting transactions, which have been defined under article 3 paragraph 2 item 18 as any "receipt, outlay, transfer between accounts, conversion, keeping, disposition and other dealings with money or other property with a reporting entity". The AML/CFT act also defines a "suspicious transaction" as any transaction for which there shall be reasons for suspicion of ML or TF in relation to the transaction or to a person conducting the transaction or a transaction suspected to involve resources from illegal activities. Pursuant to article 42, the objective test of 'having grounds" to suspect is lower than the usual requirement under R.13 which refers to "reasonable grounds".

50. The obligation set under article 42 applies to transactions involving funds linked with terrorist financing or transactions for which there are reasons for suspicion of TF. For the purpose of the AML/CFT Act, ML and FT are defined under article 2 of the Law. The definition of terrorist financing as set out in this article does not meet the requirements under criterion 13.2. The scope of the FT reporting obligation appears to be narrower: the definition makes a clear link that funds are intended to be used, in full or part, in order to carry out a terrorism offence by a terrorist or by a terrorist organisation. This should also be read in conjunction with the definition of a terrorism offence (see analysis under SR II) and its deficiencies.

51. Deficiency 2 identified in the MER *(Attempted transactions are only partially and in an indirect manner covered)*. The reporting of attempted transactions is required under the AML/CFT law (Article 42). Transactions in this context cover any attempted or conducted cash and non cash transaction, irrespective of the value and execution manner. Reporting entities are required to refrain from conducting such transactions and to notify without any undue delay before the execution of the transaction, or, if this is not possible, to inform the FIU subsequently and no later than the next business day. Failure to refrain from carrying out a transaction for which the entity knows or suspects to be connected with ML or TF and failure to notify the AMLO of such transaction before its execution as well as other aspects (lack of indications in the report of reasons for suspicion, violation of deadlines for reporting etc) is giving rise to the application of pecuniary penalties to the legal entity ranging from HRK 50.000 to 700.000 (approximately EUR 6800 – 9500) and ranging from HRK 6.000 to 30.000 (approximately EUR 814 - 4100) on the members of the management board or other legal persons' responsible person in application of article 90 of the AML/CFT Act (paragraph 1, item 21 and paragraph 2). The authorities referred in this context to a few recent misdemeanors procedures that were initiated in instances where delays in filing a report or non reporting were detected, and which are either at the stage of appeal or pending a decision by the Financial Inspectorate.

52. Deficiency 3 identified in the MER *(The STR reporting regime contains exemptions for certain transactions, regardless whether there is a suspicion for terrorist financing)* The MER had criticized the exemption set out under the 2004 Procedures on Implementation of the Law on Prevention of Money Laundering for reporting cash transactions of "daily goods or services retail deposits on the business account". This bylaw was repealed.

53. Deficiency 4 identified in the MER *(Low numbers of STRs outside the banking sector raises issues of effectiveness of implementation)*. Since the evaluation visit, the number of STRs (excluding disclosures from governmental institutions and foreign FIUs) received by the AMLO is as follows:

2007	2688
2008	2153

2009	629
2010	602

54. From the information provided, it appears that the findings of the MER as regards the uneven implementation of the reporting obligation by non banking reporting entities continue to be applicable, and more worryingly, there seems to be a very important decreasing trend of reporting by banks. This could be partly explained by the additional measures taken by the authorities and guidelines issues clarifying the manner and deadlines for reporting and the additional information required to be gathered by reporting entities on suspicious transactions and persons[5]. The authorities also indicated that the act now clearly requires reporting entities to detail the reasons for suspicion (and there are also sanctions for failure to do so) and that this inevitably resulted in fewer reports being submitted, though they have noticed a clear improvement in the quality of reports received from 2009 onwards.

55. Positively, one has to mention that sectors which almost never reported have started doing so, in particular notaries, broker companies, lawyers and investment funds In conclusion, Croatia indicated having taken measures to improve the implementation of R.13, in particular by strengthening the legal framework regarding the suspicious reporting obligation , by clarifying the applicable procedures in order to assist reporting entities with their obligations through rulebooks and guidelines, and by raising awareness through the organisation of several seminars for reporting entities. There is some evidence that some parts of the financial sector and DNFBPs have started reporting. It remains however difficult to conclude that the overall effectiveness of the reporting system has been enhanced, although this aspect is difficult to measure in the context of a desk review, and should be thoroughly checked in the course of the 4th round on-site visit.

Special Recommendation IV (rated NC in the MER) – Suspicious transaction reporting related to terrorism

56. Deficiency 1 identified in the MER *(There is no clear obligation to report STRs on terrorism financing)*. As this deficiency is identical to the first deficiency for Recommendation 13, see above for the specific comments on this issue. It appears that not all required aspects of TF are included in the scope of the reporting requirements. The authorities have indicated that in addition to the new reporting obligation, the sectors have been provided with guidance and that the lists of indicators usually include separate indicators for TF. In addition, they have provided for this review a list of numerous trainings and outreach events which were organised in 2009 and 2010 by the Croatian Chamber of Economy, by AMLO, by HANFA, by the Financial Inspectorate, other professional associations, and also under the TAIEX programme, in order to familiarize the reporting entities with the new requirements under the AML/CFT Act as well as to cover practical implementation aspects.

57. As regards TF STRs filed by reporting entities and other competent authorities, the statistics annexed indicate an increase in the total numbers of STRs, as summarized below:

[5] Rulebook on reporting to the anti-money laundering office on suspicious transactions and persons and Rulebook on the manner and deadlines for reporting to the anti-money laundering office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services.

Year	STRs received by the FIU	Cases opened by the FIU	Notifications to law enforcement/ prosecutors	Judicial proceedings
2007	1 (governmental institution)	1	1	-
2008	6 (4 from banks, 2 from governmental institutions)	6	6	-
2009	6 (3 from banks, 3 from governmental institutions)	6	8	-
2010	13 (6 from banks, 5 from governmental institutions, 2 from foreign FIUs)	11	7	-
February 2011	6 (2 from banks, 3 from governmental institutions, 1 from foreign FIUs)	5		

1.3 Main conclusions

58. Croatia reported specific measures indicating varying levels of progress on all the core Recommendations, as outlined in the progress report submitted to the MONEYVAL Plenary. From the information available, it appears that Croatia improved its level of compliance with most of the core recommendations, with the exception of SR II where the FT offence needs revisiting. In relation to R.1, the amendments introduced successfully address almost all the deficiencies identified in the MER and strengthen the ML offence. At the same time, Croatia has shown positive developments regarding the effectiveness of the implementation of the ML offence, and the situation as regards the average number of convictions has improved since the mutual evaluation.

59. Most notably, the AML/CFT Law (2008) has introduced new provisions which strengthen the CDD requirements, and these have been usefully complemented by several implementing rulebooks and guidelines issued by the competent regulatory and supervisory authorities. Measures have also been taken to improve compliance with Recommendation 13 and Special Recommendation IV, though technical deficiencies and implementation issues remain and will need addressing.

60. In conclusion, as a result of the discussions held in the context of the examination of this first progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update in every two years between evaluation visit (i.e. April 2013), though the Plenary may decide to fix an earlier date at which an update should be presented.

MONEYVAL Secretariat

2. Information submitted by Croatia for the second progress report

2.1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

Position at date of first progress report (18 March 2009)

Since the 3rd round evaluation, Republic of Croatia has gone through process of development and implementation of important measures creating efficient AML/CFT system:

- on system development level, Croatia has gone through 1,5 year long AML/CFT twinning project (2006-2007) worth 800.000€ with: 50 workshops including 500 participants from private sector and governmental agencies and institutions; preparation and evaluation of relevant documents (protocol on cooperation, action plan for ML, relevant legislation, manual) etc.,. Four components of the Project cover: inter-agency cooperation and data exchange, legal framework overview and optimization of the case management, international cooperation improvement, IT analysis and joint IT system,

- on co operational level, the Protocol on cooperation and establishment of the Inter-institutional Working Group on AML/CFT has been signed, coming into force on 1st March 2007. The WG, which includes 11 governmental institutions and agencies, is relevant for both, strategic and operational levels of coordination and cooperation. This Protocol nominated 44 names responsible for communication in the ML/TF field. Main objectives and tasks of the WG are:
  a) ensuring, improving and accelerating the coordination, cooperation and information exchange within and between the involved institutions;
  b) making suggestions to simplify/simplifying the access to information, including to databases;
  c) simplifying the workflow and avoiding duplication of work and loopholes;
  d) assessing regularly the status and achieved progress;
  e) to coordinate the participation in international organisations and working groups as well as improving participation in and more active use of national and international programs;
  f) to analyse anti-money laundering and terrorist financing legislation and procedures and to start initiatives including the elaboration of recommendations for their modification and improvement;
  g) to make suggestions in case of misunderstandings between the institutions involved in fight against money laundering and terrorist financing;
  h) to create a common web site covering all issues regarding prevention of money laundering and terrorist financing (hosted and updated by the FIU);
  i) to enhance know how and awareness by organising training, seminars and workshops for the staff of the involved institutions as well as for the reporting entities;
  j) to draft guidelines addressed to particular reporting institutions,
  (see Annex)

- on strategic level, the Croatian Government, on 31st January 2008, has adopted the Action Plan on Fight Against ML/TF, foreseeing 150 activities for 11 institutions, legislative, institutional and operational, for current and permanent development of overall AML/CFT system with aim of harmonizing it with relevant international standards. Twice a year, the Croatian Government is

reported by the Ministry of Finance on the progress of each institution and the AML/CFT system as a whole,
(see Annex)

- as the most important, on legislative level, new Anti Money Laundering and Financing of Terrorism Law (AMLFT Law) has came into force on 1st January 2009, based on DIRECTIVE 2005/60/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, COMMISSION DIRECTIVE 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis, REGULATION (EC) No 1781/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 November 2006 on information on the payer accompanying transfers of funds, REGULATION (EC) No 1889/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 October 2005 on controls of cash entering or leaving the Community, relevant FATF Recs and some provisions of Warsaw Convention, harmonizing the Croatian preventive legislation with relevant level of international AML/CFT standards, (see Annex)

- Croatian FIU, the Anti-Money Laundering Office (AMLO) went through institutional and administrative development. It is not only an independent unit within the MF but independent administrative organisation (equal to the Tax Administration, Customs etc.). Administrational and institutional reinforcement of the AMLO has been made by structural reorganization from 2 to 4 specialized departments including additional 4 specialized sub-departments (divisions) with total of 36 positions (increasing the number of positions of 22 for 63%). At the end of the 2007, the Croatian Government has adopted the Regulation on the Amendments to the Regulation on internal organization of the Ministry of Finance. The AMLO has restructured and established:
  - Information System and Strategic Analysis Department,
  - Analytical and Suspicious Transactions Department
    - Transaction Analysis Division
    - Suspicious Transaction Division
  - Prevention and Supervision Department
    - Financial Sector Division
    - Non-Financial Sector Division
  - International Cooperation Department,

- within the Ministry of Finance, new body has been established as the AML/CFT specialised, central on-site supervisory agency for ML/FT issues, the Financial Inspectorate, which acts in this field autonomously or upon request of the FIU, which is also relevant for undertaking financial investigations within payment system upon request of the prosecution or a judge,

- within the Ministry of the Interior, Criminal Police Directorate, new body has been established as the central police investigation unit responsible for organised crime and corruption, PNUSKOK (Police National Office for Suppression of Corruption and Organised Crime). Within the responsibilities of the PNUSKOK, it acts as well as the central national body for police financial investigations and money laundering investigations,

- on 01/01/2009 new Law on Personal Identification Number has come into force with main aim of informatization of public administration, connection and automated data exchange among public administration institutions, better overview over the property and income of the natural and legal

entities and flow of money, as a key of transparent economy and systematic suppression of corruption,

On 15th July 2008, Croatian Parliament has brought new Anti Money Laundering and Financing of Terrorism Law. The Law came into force on 1st January 2009. The Law introduces complete CDD procedure according to the 3rd EU Directive, PEPs, restrictions in cash operations, prohibition of the use of anonymous products, defines not only money laundering and terrorism financing but also gives definitions of suspicious transactions. Now the sanctioning regime has wide range of fines. They can be used against legal person, responsible person and member of the board. Additionally recalling of the approval for the performance (license) can be used. The Law additionally defines different types of inter-institutional cooperation fully enabling FIU approach to all reporting entities' and governmental institutions' data, but giving also limited possibilities of governmental institutions to suggest to the FIU to initiate its analytical work. The FIU is authorised to suspend suspicious transaction and to order monitoring of customer's financial operations. The Law introduces some provisions from the Warsaw Convention authorising the FIU to postpone suspicious transaction on the request of its foreign counterpart. The FIU is now obliged to inform the reporting entities on the results of its work (feedback). The Law additionally prescribes collection of data for joint statistics. Having relevant preparation, "pre-guidelines" and education on new standards, most of financial system reporting entities have started to implement new procedures through internal regulations even before the new Law came into force.

Major improvement of the efficiency of the system can be visible through judicial statistics. In last 3 years there have been 45 judicial investigations, 44 indictments and 21 court rulings (14 convictions) for money laundering.

New developments since the adoption of the first progress report

Since the adoption of the first progress report, the Republic of Croatia continued the process of the development of its AML/CFT system.

On inter-agency co-operational level, on 22nd September 2009 Ministry of Foreign Affairs and European Integration joined the work of Working Group on AML/CFT, so from that date WG includes 12 institutions. The WG continued its work relevant for both, strategic and operational levels of coordination and cooperation. In 2009, 2010 and 2011 WG held total of 4 regular meetings and 3 extraordinary meetings.

On strategic level, Ministry of Finance continued its reporting to the Croatian Government on implementation of the Action Plan on Fight Against ML/TF (adopted on 31st January 2008, for current and permanent development of overall AML/CFT system with aim of harmonizing it with relevant international standards). In 2009 and 2010 the Croatian Government adopted total of 4 reports on the implementation of Action plan which include the progress of each institution and the AML/CFT system as a whole on a half-yearly basis.

On legislation implementation level, in June 2009 Ministry of Finance passed 4 new Rulebooks on the implementation of AMLFT Law (Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences, Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on misdemeanour proceedings, Rulebook on terms and conditions under which the reporting entities under the Anti Money Laundering and Terrorist Financing Law shall be allowed to entrust the conducting of customer due diligence with third persons, Rulebook on determining conditions under which the reporting entities shall make grouping of customers representing a negligible money laundering or terrorist financing risk) so

there is a total of 9 Rulebooks on the implementation of AMLFT Law. (see Annex)

Concerning institutional and administrative development of Croatian FIU, the Anti-Money Laundering Office (AMLO), in March 2009, the Croatian Government has adopted the Regulation on the Amendments to the Regulation on internal organization of the Ministry of Finance. The AMLO has restructured as follows:

- Strategic Analysis and Information System Department,
- Financial Intelligence Analytics Department
  - Suspicious Transaction Section
  - Transaction Analysis and Financing of Terrorism Section
- Prevention and Supervision of Reporting Entities Department
  - Credit and Financial Institutions Section
  - Non-Financial Institutions Section
- Inter-institutional and International Cooperation Department,

Concerning institutional and administrative development of the Financial Inspectorate, in March 2009, the Croatian Government has adopted the Regulation on the Amendments to the Regulation on internal organization of the Ministry of Finance. The Financial Inspectorate has restructured as follows:

- Department for Credit Institutions and Payment System,
  - Section for banks and other credit institutions
  - Section for institutions for payment systems and electronic money
- Department for Financial Institutions and Financial Intermediation
  - Section for financial institutions and financial intermediations
  - Section for authorised money exchange offices
- Department for Non- Financial and Non Profit Entities
  - Section for non-financial subjects
  - Section for professions and non-profit activities
- Department for Financial Investigations
  - Section for planning, preparation and coordination
  - Section for operative enforcement
- Department for International Cooperation and Legal Affairs
- International Cooperation and Legal Affairs Department
- Department for Risk Assessment, Planning and IT System

Financial Inspectorate finalised a technical assistance project with the IMF which resulted in a Supervisory Manual for authorized persons of the Financial Inspectorate in conducting examination activities in relation to the application and implementation of anti-money laundering and terrorist financing measures and draft of the General Guidance for reporting entities. Also, FI established sectoral risk matrix and assessed risk for each sector of reporting entities.

AMLO and Financial Inspectorate requested technical assistance from IMF concerning the enhancement of risk assessment function including the finalization of a sector specific risk matrix to evaluate individual reporting entities and development of ML/TF typologies

On 01/01/2009 new Law on Personal Identification Number came into force ("OG" 60/08). The aim of introducing the Personal Identification Number is informatization of public administration, connection and automated data exchange among public administration institutions, better overview over the property and income of the natural and legal entities and flow of money, as a key of transparent economy and systematic suppression of corruption. Also, it will enable timely exchange of information needed for timely and consistent implementation of administrative, tax and criminal proceedings, as well as facilitating and speeding up proceedings that are being conducted by citizens before public authorities for

the exercise of various rights. The law provided for a transition period of two years for introducing the personal identification number, after which its full implementation shall begin (as of 01/01/2011). During 2009 personal identification number was determined and assigned to all persons (Croatian citizens by birth or acquisition of Croatian citizenship, legal persons domiciled in the Republic of Croatia and foreign persons when registering the residence on Croatian territory), and the registration of assigned identification numbers with the official records had begun. As of 01/01/2010, alongside the continuation of registering the identification numbers with the official records, its application in tax returns and payment system has begun.

Following a Tax Administration guidance called "Obligations of Tax Administration according to new AML/CFT Law, in the field of operating of games of chance", which was forwarded to all regional offices of the Tax Administration on 02/01/2009, on 16/06/2009 a letter was sent to all regional offices of the Tax Administration, on the obligations of the Tax Administration when conducting supervision under the new AML/CFT Law in the field of organizing games of chance in casinos. Obligations of inspectors of the Tax Administration regarding limitations of cash payments set out in Articles 39 (€ 15,000.00) are particularly indicated. Also, Article 40 of the AML/CFT Law prescribes that reporting entities shall be obliged to report the Anti-Money Laundering Office on each transaction being conducted in cash totalling HRK 200,000.00 and more immediately, and no lather than within three days upon the execution of the transaction.

The Act on Games of Chance came into force on 1st January 2010 ("OG" 87/2009), replacing the previous Act on Operating Games of Chance and Lottery Games. This Act governs the system, types and conditions related to the operating of games of chance, the rules and procedures for obtaining and revoking the gaming concession, the rights and obligations of gaming operators, the allocation of revenues generated from games of chance, and the control of the gaming operations. Furthermore, the Act is fully harmonized with the relevant provisions of the AMLFT Law, prescribing that gaming operators shall operate according to the legislation regulating the prevention of money laundering and terrorist financing, particularly in cases of customer due diligence, identification of customer and customer's beneficial owner, suspicious transactions and terms for keeping customers' information. Pursuant to this Act, four ordinances related to AMLFT were adopted in 2010: Ordinance on Lottery Games ("OG" 78/10), Ordinance on Interactive Online Casino Gaming ("OG" 78/10), Ordinance on Obtaining License for Work in Casino ("OG" 78/10), and Ordinance on Organizing Remote Betting Games ("OG" 8/10 and 63/10).

Croatian financial services supervisory Agency (hereinafter: HANFA) issued in April 2009, and updated in September 2009, pursuant to Article 88 of the Anti Money Laundering and Terrorist Financing Law (Official Gazette 87/2008), Guidelines for the implementation of the Anti-money laundering and terrorist financing act for the reporting entities falling within the competence of the Croatian financial services supervisory Agency (hereinafter: HANFA's Guidelines)

In July 2009 the governor of the Croatian National Bank (hereinafter: CNB) issued Guidelines for the analysis and assessment of money laundering and terrorist financing risks for credit institutions and credit unions, hereinafter: CNB´s guidelines. On the date of adoption of CNB`s guidelines, Guidelines relating to the prevention of the ML/TF for credit institutions and credit unions issued in January 2008 ceased to have effect.
In addition to risk based approach, within which categories (low, moderate and high risk) and criteria (country or geographic risk, customer risk and product/transaction/business relationship risk) related to ML/TF are determined, CNB`s guidelines also provide instructions as regards putting in place policies and procedures aimed at diminishing exposure to the risk of ML/TF which may steam from new technologies enabling anonymity (electronic or Internet banking, electronic money, etc.). CNB`s guidelines also apply to all activities performed by the credit institutions and credit unions on the Internet, including all connected technologies enabling network access and open telecommunications networks which include

direct telephone links, the public World Wide Web and virtual private networks.

New legislation that regulates payment services in the Republic of Croatia entered into force in January 2011. The most important new regulation is the Payment System Act (hereinafter: PSA) through which are implemented in the Croatian legislation the provisions of Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (Payment Services Directive - PSD) that regulates payment services in all EU member states in harmonised manner.

New PSA defines also payment service providers. Beside credit institutions (that are authorised to provide payment services according to the provisions of the Credit Institutions Act), PSA introduces new payment service provider - payment institution (PI). This category of payment service providers includes card issuers (that operate independently from the banks), providers of bill payment services or money remittance service providers.

Also, some subordinate legislation entered into force that has been adopted pursuant to PSA, and for AML/CFT issues is the most important Decision on the manner of opening transaction accounts. It prescribes that credit institution, when opening such an account, must establish the identity of the applicant and carry out other procedures in accordance with the regulations governing the prevention of money laundering and terrorist financing. Such rule shall be applied equally for opening resident and non-resident accounts.

The Act on Electronic Money entered into force on 1st January 2011 and implemented the provisions of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC. Act on Electronic Money regulates the operation of e-money institutions (EMI) that are authorised to issue electronic money and may also provide payment services.

In November 2009, the Financial Inspectorate issued Guidelines for the implementation of the AMLFT Law for lawyers and notaries public.

AMLO and all the supervisory authorities continued their work on raising awareness and permanent education of reporting entities, especially in DNFBP sector, which resulted in higher quality of received STRs as well as the increase of STRs received form DNFBPs (especially from lawyers and notaries public).

In July 2010 AMLO established a new WEB 2010 System as a new and improved system of sending STRs and CTRs from reporting entities to the FIU.

It is important to stress out that in November 2010 AMLO organized a meeting with state authorities responsible for supervision of non-profit organizations (NPOs) on which, after the presentation of relevant national legislation and international standards on AMLCFT concerning the NPOs by the AMLO, all included state authorities agreed on having quarterly meetings on which they will exchange experience on supervision of NPOs. Furthermore, AMLO and Financial Inspectorate will organize education for representatives of those state authorities in March 2011.

Major improvement of the efficiency of the system can be visible through judicial statistics. In 2009 and 2010 there have been 27 judicial investigations (16 in 2009 and 11 in 2010), 35 indictments (15 in 2009 and 20 in 2010) and 21 court rulings (13 in 2009 and 8 in 2010) for money laundering which included a total of 12 convictions (6 in 2009 and 6 in 2010).

2.2 Core recommendations

Please indicate improvements which have been made in respect of the FATF Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatian authorities should amend the AML Law and make it absolutely clear that the prevention of terrorist financing is covered*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15/07/08 Croatian Parliament has adopted new AMLFT Law (came into force on 01/01/09). Although the Law refers to "ML and/or FT", Article 1 additionally states that "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing."
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The enormous backlog in money laundering cases pending at courts should be urgently addressed*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	At the request of the Ministry of Justice, all courts inform the Ministry and Financial Intelligence Unit on money laundering cases monthly. The Supreme Court issued instruction to all courts on giving priority to older cases, particularly to certain types of cases (including money laundering). Additionally, recent changes of the Court's Standing Order requests urgent proceedings in USKOK cases (including money laundering).
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above. Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences entered into force on 1st July 2009. In its Articles 3 and 4 competent State Attorney's offices and competent courts shall supply data on persons and proceedings initiated against money laundering and terrorist financing offences to AMLO (twice a year) using a printed Form which must clearly show the stage of the proceeding at the end of a semester for which data are being supplied. Competent State Attorney's offices and competent courts shall supply data for the first semester of the current calendar year no later than by end-July of the current calendar year, and for the second semester of the current calendar year no later than by end-January of the next calendar year. This obligation of competent State Attorney's offices and competent courts effects backlog in money laundering cases pending at courts. On July 1st, 2009 new Criminal Procedure Act (OG 152/08) entered into force. According to the Article 217 of new CPC the state attorney (if a reasonable suspicion exists that a criminal offence was committed for which the investigation must be conducted) shall issue the order for investigation within ninety days from the date of entry of the crime report in the crime report register which enhances

	efficiency of the criminal procedure and also effects backlog in money laundering cases pending at courts. Continuous increase in number of investigations, indictments and verdicts shows that backlog in money laundering cases pending at courts is adequately addressed.
Recommendation of the MONEYVAL Report	*Croatian authorities should satisfy themselves that all the physical and material elements of the Palermo Convention and the Vienna Convention are properly covered (particularly transfer, concealment and use of property). Consideration should also be given to broadening the scope of Art. 279 by removing the clause that restricts its applicability to "banking, financial or other economic operations".*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Law on the Amendments to the Criminal Code was introduced nad entered into force on January 1, 2009. The Law amended Article 279. which is now titled as „Money Laundering" with the view to avoid any misunderstanding about the nature of the offence. At para 1. of the Article 279. the word „economic" is deleted while the words „transfers" and „transforms" are inserted (concealment already existed). Consequently, the new Article 279. removes former restrictions and covers other operations, beside banking and financial, against anyone who invests, takes over, transfers, exchanges, transforms or otherwise conceals the true source of money, objects, rights or proceeds, knowing that they were generated or acquired from a criminal offence. Proceeds of crime is defined by addition of para 37. to Article 89. as every increasing of or disabling of the reduction of assets regardless of being material or immaterial, movable or immovable, or whether it is a decree in any form which proves right or interest over assets which is directly or indirectly gained by criminal offence. ***Law on the Amendments to the Criminal Code („OG" 152/08):*** ***Article 19*** *Title above Article 279 is amended to read: "Money laundering"* *Article 279 is amended to read:* *"(1) Whoever, in banking, financial or other operations, invests, takes over, transfers, exchanges, transforms or otherwise conceals the true source of money, objects, rights or proceeds, knowing that they were generated or acquired from a criminal offence shall be punished by imprisonment for six months to five years.* *(2) The punishment referred to in paragraph 1 of this Article shall be imposed on whoever acquires for himself or another person's behalf the money, objects, rights or proceeds referred to in paragraph 1 of this Article, possesses or uses them, knowing their origin at the time of receipt.* *(3) Whoever commits the act referred to in paragraphs 1 and 2 of this Article as member of a group or criminal organisation,* *shall be punished by imprisonment for one to ten years.* *(4) Whoever, in committing the criminal offence referred to in paragraphs 1 and 2 of this Article, acts with negligence regarding the fact that the money, objects, rights or proceeds have been acquired through the criminal offence referred to in paragraph 1 of this Article, shall be punished by imprisonment for three months to three years.* *(5) If the money, objects, rights or proceeds referred to in paragraphs 1, 2 and 4 of this Article have been acquired by a criminal offence committed in a foreign state, such an offence shall be evaluated pursuant to the provisions of the Croatian criminal legislation taking into consideration the provisions of Article 16, paragraphs 2 and 3 of this Code.* *(6) The money, objects and proceeds referred to in paragraphs 1, 2 and 4 of this Article shall be forfeited, and the rights shall be pronounced void.*

	(7) The court may remit the punishment of a perpetrator of the criminal offence referred to in paragraphs 1, 2, 3, and 4 of this Article who voluntarily contributes to the detection of this criminal offence." ***Article 4*** *In Article 89, following paragraph 36, paragraph 37 is hereby added, and it read:* *"(37) Proceeds of crime is every increasing of or disabling of the reduction of assets regardless of being material or immaterial, movable or immovable, or whether it is a decree in any form which proves right or interest over assets which is directly or indirectly gained by criminal offence.*
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The text of Paragraph 1 of Article 279 should be reconsidered and it should be clarified that indirect proceeds deriving from property other than money is covered.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Law on the Amendments to the Criminal Code was introduced nad entered into force on January 1, 2009. The Law amended Article 279. para 1. by introducing proceeds (beside money). In regard to the definition of the proceeds (Article 89. para 37.) as every increasing of or disabling of the reduction of assets regardless of being material or immaterial, movable or immovable, or whether it is a decree in any form which proves right or interest over assets which is directly or indirectly gained by criminal offence, indirect proceeds deriving from property other than money is covered.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*There needs to be some further clarification as to the precise requirements for extra-territorial predicate offences in respect of dual criminality (Art. 279 para 5 CC).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	If the money, objects, rights or proceeds in terms of Article 279. are acquired from extra-territorial predicate offence, the offence is to be evaluated according to Croatian criminal legislation, and the Article 16. para 2. and para 3. of the Criminal Code will apply. It means that if such an act does not constitute a criminal offence under the law in force in the country of the perpetration, criminal proceedings may be constituted upon the approval of the State Attorney of the Republic of Croatia, and if the committed act is not punishable under the law in force in the country in which it was committed but is deemed to be a criminal offence according to the general principles of law of the international community, the State Attorney of the Republic of Croatia may authorize the institution of criminal proceedings in the Republic of Croatia. *Criminal Code:* **Particularities Regarding the Institution of Criminal proceedings for Criminal Offences Committed outside the Territory of the Republic of Croatia** **Article 16** *. . .(2) If, in the cases specified in Article 14, paragraphs 2, 3 and 4 of this Code, such an act does not constitute a criminal offence under the law in force in the country of the perpetration, criminal proceedings may be constituted only upon the*

	approval of the State Attorney of the Republic of Croatia. *(3) In the case referred to in Article 14, paragraph 4 of this Code, when the committed act is not punishable under the law in force in the country in which it was committed but is deemed to be a criminal offence according to the general principles of law of the international community, the State Attorney of the Republic of Croatia may authorize the institution of criminal proceedings in the Republic of Croatia and the application of the criminal legislation of the Republic of Croatia.*
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The Croatian authorities are encouraged to use the new powers providing corporate criminal liability proactively in money laundering cases.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	After enacting Law on Responsibility of Legal Persons, State Atorney Office of the Republic of Croatia issued guidance No O-2/24 from February 16th. 2004. to assist prosecutors in practice and to underline the importance of this law. Although we do not have any criminal report, regarding legal persons in money laundering cases, we want to emphasize that in the year 2007 we have had 904 criminal reports against legal persons, indictments against 330 persons and 98 verdicts. In the year 2008 we had criminal reports against 1043 legal persons indictments against 331 persons and 96 verdicts. After receiving STRs in all cases prosecutors asked the police and all other law enforcement agencies to help in collecting relevant proofs to start criminal procedure included in the cases against the legal persons. Finally we want to stress that in the Republic of Croatia we fully implement provisions of the Law on Responsibility of Legal Persons. It has to be added that the AMLO makes analysis of the "participants in the suspicious transactions" which are both, natural and legal persons. After disseminating its STRs (referrals) to the police or/and prosecution, police investigation has been conducted in all cases, investigating all circumstances of the STRs. Final results showed no criminal involvement of legal but only natural persons.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above. In the year 2009 we have had criminal reports against 388 legal persons. Analysis of those criminal reports shows that legal persons are reported for criminal offences mainly for economic/financial crimes and for crimes against environment. In the year 2010 we had criminal reports against 406 legal persons. Analysis of those criminal reports shows that legal persons are reported for criminal offences mainly for economic/financial crimes and for crimes against environment. AMLO continuously makes analysis of the "participants in the suspicious transactions" which are both, natural and legal persons. After disseminating its STRs (referrals) to the police or/and prosecution, police investigation has been conducted in all cases, investigating all circumstances of the STRs. Final results showed no criminal involvement of legal but only natural persons. Nevertheless, it is important to stress out that in the year 2011, 1 investigation was initiated against legal person for money laundering (Art 279 of PC). Predicate

	crimes are abuse of bankruptcy procedures (Art 283 para 1 and 2 of PC) and abuse of authority in business operations (Art 292 para 1 (4) and para 2 of PC).
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 5 (Customer due diligence) I. Regarding financial institutions	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatian authorities should as a matter of urgency issue legislation clearly prohibiting financial institutions from keeping anonymous accounts or accounts in fictitious names. Furthermore, it should be established whether such accounts still exist. If so, they should be closed as soon as possible.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Anonymous products are strictly forbidden. Recent on-site supervisions have shown no such product existing. AMLFT Law: **Prohibition of the Use of Anonymous Products** **Article 37** The reporting entities shall not be allowed to open, issue or keep anonymous accounts, coded or bearer passbooks for customers, i.e. other anonymous products which would indirectly or directly enable the concealment of customer's identity. **Compliance in terms of Anonymous Products** **Article 103** (1) The reporting entities shall be obliged to close all anonymous accounts, coded or bearer passbooks as well as all other anonymous products, including accounts registered to false names that directly or indirectly enable the concealment of customers' identity within 30 days upon the effective date of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	According to the explicit prohibition of the use of anonymous products defined in AMLFT Law, credit institutions are not permitted to open, issue or keep anonymous accounts, coded or bearer passbooks for customers or other anonymous products. Also, pursuant to the Article 103 of the AMLFT Law, credit institutions were required to close all opened accounts within 30 days upon entry into force of the AMLFT Law. While performing on-site supervision of credit institutions in a given period (since the adoption of the first progress report in March 2009) it was determined that no anonymous accounts are being kept in credit institutions in the Republic of Croatia.
Recommendation of the MONEYVAL Report	*The concept of verification of identification should be further addressed. The Croatian authorities should take steps to apply an enhanced verification process in appropriate cases. In higher risk cases, they should consider requiring financial institutions to use other reliable, independent source documents, data or information when verifying customer's identity (in addition to the documents as currently prescribed by law).*

Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Should the reporting entity be unable to collect the prescribed data from the official personal identification document submitted, the missing data shall be collected from other valid public documents submitted by the customer, i.e. directly from the customer. Should the reporting entity have suspicion during the course of identifying the customer and verifying the customer's identity in accordance with the provisions of the Law as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the customer to give a written statement. The reporting entity which is unable to identify and verify the customer shall not be allowed to establish a business relationship or to carry out a transaction, i.e. such a reporting entity must terminate the already established business relationship and notify the AMLO. AMLFT Law: *MEASURE OF IDENTIFYING THE CUSTOMER AND VERIFYING THE CUSTOMER'S IDENTITY* **Identifying a Natural Person and Verifying the Natural Person's Identity** **Article 17** (1) For a customer which is a natural person and natural person's legal representative, and for a customer who is a craftsman or a person involved in the performance of another independent business activity, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of official customer's personal identification document in customer's presence. (2) Should the reporting entity be unable to collect the prescribed data from the official personal identification document submitted, the missing data shall be collected from other valid public documents submitted by the customer, i.e. directly from the customer. (3) The reporting entity may identify the customer and verify the customer's identity in cases when the customer is a natural person, i.e. the person's legal representative, a craftsman and a person involved in the performance of other independent business activity in other ways, should the Minister of Finance prescribe so in a rulebook. (4) In instances in which the customer is a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall collect data defined in Article 16, paragraph 1, item 5 of this Law in keeping with the provisions contained in Article 18 of this Law. (5) Should the reporting entity have suspicion during the course of identifying the customer and verifying the customer's identity in accordance with the provisions of this Article as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the customer to give a written statement. **Identifying a Legal Person and Verifying the Legal Person's Identity** **Article 18** (1) For a customer who is a legal person, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 5 of this Law by examining the original or notarised photocopy of documentation from court or other public

	register presented by the legal person's legal representative or person authorised by power of attorney. (2) At the time of submission, the documentation referred to in paragraph 1 must not be more than three months old. (3) The reporting entity may identify the legal person and verify the legal person's identity through the collection of data referred to in Article 16, paragraph 1, item 5 of this Law through a direct examination of court or other public register. On the excerpt from the register examined, the reporting entity shall put date, time, name and surname of the examiner. The reporting entity shall keep the excerpt from the register in keeping with the provisions of this Law concerning data protection and keeping. (4) The reporting entity shall collect other data referred to in Article 16, paragraph 1 of this Law, save for data on beneficial owner, through the examination of original or notarised photocopies of documents and other business documentation. Should the documents and documentation referred to be insufficient to enable the collection of all data from Article 16, paragraph 1 of this Law, the reporting entity shall collect the missing data, save for data on beneficial owner, directly from the legal representative or the person authorised by power of attorney. (5) Should the reporting entity have any suspicion during the course of identifying the legal person and verifying the legal person's identity as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the legal representative or the person authorised by power of attorney to give a written statement prior to the establishment of a business relationship or execution of a transaction. (6) While verifying customer's identity on the basis of paragraphs 1 and 3 of this Article, the reporting entity must first check the nature of a register from which the reporting entity shall take data for the identity verification purposes. (7) Should the customer be a legal person performing business activity in the Republic of Croatia through its business unit – a branch, the reporting entity shall identify the foreign legal person and its branch and verify their respective identities. **Identifying a legal person's legal representative and verifying the legal representative's identity** **Article 19** (1) The reporting entity shall identify a legal person's legal representative and verify the legal representative's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through examination of a personal identification document of the legal representative in his/her presence. Should the document be insufficient to enable the collection of all prescribed data, the missing data shall be collected from other valid public document proposed by the customer, i.e. supplied by the legal representative. (2) Should the reporting entity have any suspicion during the course of identifying the legal representative and verifying the legal representative's identity as to the veracity of the collected data, the reporting entity is to also require the legal representative to give a written statement. **Identifying a legal or natural person's person authorised by power of attorney and verifying the identity of the person authorised by power of attorney**

	Article 20 (1) Should a person authorised by power of attorney be establishing a business relationship on behalf of a legal person instead of the legal person's legal representative referred to in Article 19 of this Law, the reporting entity shall identify the person authorised by power of attorney and verify such person's identity by collecting data provided for in Article 16, paragraph 1, item 1 of this Law through the examination of an official personal identification document of the person authorised by power of attorney in his/her presence. (2) Should the document be insufficient to enable the collection of all prescribed data, the missing data shall be obtained from other valid public document submitted by the person authorised by power of attorney, i.e. directly from this person. The reporting entity shall collect data referred to in Article 16, paragraph 1, item 1 of this Law on the legal representative who issued a power of attorney on behalf of the legal person on the basis of data included in the notarised power of attorney. (3) Should a person authorised by power of attorney conduct transactions referred to in Article 9, paragraph 1, item 2 of this Law on behalf of a customer who is a legal person, a natural person, a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall identify the person authorised by power of attorney and verify such person's identity via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law. (4) The reporting entity shall collect data referred to in Article 16, paragraph 1, items 1 and 5 of this Law on the customer on whose behalf the person authorised by power of attorney shall act, which data shall be collected on the basis of the notarised power of attorney. (5) Should the reporting entity have suspicion during the course of identifying the person authorised by power of attorney and verifying such person's identity as to the veracity of the collected data, the reporting entity is to also require the person's written statement. **Identifying other legal persons and entities made equal to them and verifying their respective identities** **Article 21** (1) In cases of NGOs, endowments and foundations and other legal persons who do not perform economic activity, as well as in cases of religious communities and NGOs without properties of a legal person and other entities without legal personality but independently appearing in legal transactions, the reporting entities shall be obliged to: 1. identify the person authorised to represent, i.e. a representative and verify representative's identity; 2. obtain a power of attorney for representation purposes; 3. collect data referred to in Article 16, paragraph 1, items 1, 2 and 6 of this Law. (2) The reporting entity shall identify the representative and verify the representative's identity referred to in paragraph 1 of this Article via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of an official personal identification document of the representative in his/her presence. Should the document be insufficient to collect all prescribed data, the missing data shall be collected from other valid public document submitted by the representative, i.e. from the representative directly. (3) The reporting entities shall collect data referred to in Article 16, paragraph 1, item 2 of this Law on each natural person who is a member of an NGO or other

	entity referred to in paragraph 1 of this Article from a power of attorney issued for representation purposes and submitted by the representative to the reporting entity. Should the authorisation be insufficient to enable the collection of all data referred to in Article 16, paragraph 1, item 2 of this Law, the missing data shall be collected from the representative directly. (4) Should the reporting entity have suspicion during the course of identifying the person referred to in paragraph 1 of this Article and verifying such person's identity as to the veracity of the collected data or the credibility of documents from which data was collected, the reporting entity must also require the representative to give a written statement before the establishment of a business relationship or the execution of a transaction. **Special Customer Identification and Identity Verification Cases** **Article 22** (1) For the purpose of implementing the provisions contained in Article 9 of this Law, identity of customers also must be established and verified on each customer's use of a safe deposit box. (2) During the course of identifying customers on the basis of paragraph 1 of this Article and verifying such customers' identity, the reporting entity involved in business activity of safekeeping items in safe deposit boxes shall collect data referred to in Article 16, paragraph 1, item 2 of this Law. (3) The provisions contained in this Article in respect of the obligation to identify a customer when using a safe deposit box shall pertain to all natural persons who actually use the safe deposit box, regardless of whether such a person is the actual user of the safe deposit box as per the safe deposit box use contract or such a person's legal representative or person authorised by power of attorney.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above. Also, according to Article 33 of the AMLFT Law, when determining and verifying the identity of a customer who is not physically present, an institution is obliged to perform the following enhanced due diligence measures: 1. collect additional documents, data or information on the basis of which the customer's identity is verified; 2. additionally verify the submitted documents or additionally certify them by a foreign credit or financial institution referred to in Article 3, items (12) and (13) of the Law; 3. apply a measure whereby the first payment within the business activity is carried out through an account opened in the customer's name with another credit institution. For clarification, Article 32 (7) of AMLFT Law prescribes that should the customer who shall establish a business relationship or conduct a transaction, i.e. should the customer on whose behalf the business relationship is being established or the transaction conducted be a foreign politically exposed person, the reporting entity shall in addition to the measures referred to in Article 8, paragraph 1 of this Law also take actions listed hereunder within the framework of the enhanced customer due diligence: 1. gather data on the source of funds and property which are or will be the subject matter of the business relationship or transaction, from documents and other documentation supplied by the customer. Should it be impossible to collect data in the described manner, the reporting entity shall collect data directly from a customer's written statement; 2. an employee of the reporting entity who shall run the procedure of establishing a business relationship with a customer who is a foreign

	politically exposed person shall mandatorily obtain written consent from the superior responsible person before establishing such a relationship; 3. after the establishment of the business relationship, the reporting entity shall exercise due care in monitoring transactions and other business activities performed by a foreign politically exposed person with the reporting entity. According to HANFA's Guidelines IV.2.1. In case of suspicion as to the veracity of data obtained on the basis of the statement, the reporting entity may check additionally the obtained data by looking into public records and other data available to it (the reporting entity has to determine on its own to what extent will it consider as credible and relevant for customer due diligence, commercial lists, or databases of politically exposed persons) or it may check the obtained data with the competent government bodies of other states, consulates or embassies of foreign countries in the Republic of Croatia and the Ministry of Foreign Affairs of the Republic of Croatia. According to HANFA's Guidelines IV.2.2. If the customer was not physically present with the reporting entity during the identification customer due diligence shall also comprise at least one of the following measures: 1 obtaining documents, data or information on the basis of which the reporting entity may check and verify additionally the credibility of identification documents and data used in customer identification and verification (a notarised copy of the personal identification document, current, giro, and foreign currency account cards and passbook account); 2 additional verification of the obtained customer data in public and other available data records; 3 obtaining adequate references from a credit or a financial institution having a contractual business relationship with the customer (e.g. holding an account with such an institution), taking into account the fact that in this case only those institutions that comply with home country anti-money laundering and terrorist financing measures may be treated as credit or financial institutions); 4 additional verification of data and information on the customer with the competent government bodies or other competent supervisory authorities in the country where the customer has its residence or seat; 5 establishing a direct contact with the customer either by phone or by a visit to the customer by an authorised person of the reporting entity at the place of his residence or in his seat. Pursuant to the Item 6.5 of the CNB´s guidelines, additional documents, data or information on the basis of which the customer's identity is verified may be as follows: 1. for residents, evidence of permanent residence obtained from the competent authority that keeps the record or certificate of permanent residence issued by the Police Department; for non residents, evidence obtained from, e.g. credit reference agency; 2. personal references (e.g. from an existing customer of the institution); 3. previous bank references and contact; 4. data on the source of funds and assets which are or will be the subject of the business relationship; 5. certificate of employment or the public function that the person holds.

	For natural persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by verifying date of birth in an official document (e.g. birth certificate, passport, ID card, social security records); 2. by verifying the permanent address (e.g. through utility bills, tax apportionment, bank statements, letters from public authorities); 3. by contacting the client by telephone, letter or e-mail for the purpose of verifying information after the account has been opened (e.g. disconnected telephone, returned letter or incorrect e-mail address indicate a need for further checks); 4. by verifying the accuracy of official documents by a certificate issued by an authorised person (e.g. an embassy employee, public notary). For legal persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by examining a copy of the latest performance report and financial statements (audited, if available); 2. through an examination performed by the Business Information Centre or a statement of a reputable and well-known attorney or accounting company that verifies submitted documents; 3. by examining the company or carrying out some other type of review in order to verify that the company has not ceased operating, that it has not been removed from the register or liquidated, or that it is not in the process of terminating its operation, removal from the register or liquidation; 4. by independent verification of information, such as accessing public and private data bases; 5. by obtaining prior references of the institution; 6. by contacting the company via telephone, mail or e-mail. In some jurisdictions other equivalent documents may exist which may provide satisfactory evidence on the identity of a customer. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons
Recommendation of the MONEYVAL Report	*Croatian authorities should clearly define which other documents than passports or I.D. cards can be used for verification of identification and which are in accordance with the international standards as required by Footnote 5 of the Methodology*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. By using the general terms the Law allows the usage of other documents. Should the reporting entity be unable to collect the prescribed data from the **official personal identification document** submitted, the missing data shall be collected from **other valid public documents** submitted by the customer, i.e. directly from the customer (statement).
Measures taken to implement the recommendations since the adoption of the first progress report	See answer above regarding HANFA's Guidelines. For clarification, according to the Art 3 item 30 of AMLFT Law an official personal document shall be any public document with a photograph of a person issued by a domestic or a foreign competent public authority intended for establishing person's identity. Pursuant to the Item 6.5 of the CNB´s guidelines, additional documents, data or information on the basis of which the customer's identity is verified may be as

	follows: 1. for residents, evidence of permanent residence obtained from the competent authority that keeps the record or certificate of permanent residence issued by the Police Department; for non residents, evidence obtained from, e.g. credit reference agency; 2. personal references (e.g. from an existing customer of the institution); 3. previous bank references and contact; 4. data on the source of funds and assets which are or will be the subject of the business relationship; 5. certificate of employment or the public function that the person holds. For natural persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by verifying date of birth in an official document (e.g. birth certificate, passport, ID card, social security records); 2. by verifying the permanent address (e.g. through utility bills, tax apportionment, bank statements, letters from public authorities); 3. by contacting the client by telephone, letter or e-mail for the purpose of verifying information after the account has been opened (e.g. disconnected telephone, returned letter or incorrect e-mail address indicate a need for further checks); 4. by verifying the accuracy of official documents by a certificate issued by an authorised person (e.g. an embassy employee, public notary). For legal persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by examining a copy of the latest performance report and financial statements (audited, if available); 2. through an examination performed by the Business Information Centre or a statement of a reputable and well-known attorney or accounting company that verifies submitted documents; 3. by examining the company or carrying out some other type of review in order to verify that the company has not ceased operating, that it has not been removed from the register or liquidated, or that it is not in the process of terminating its operation, removal from the register or liquidation; 4. by independent verification of information, such as accessing public and private data bases; 5. by obtaining prior references of the institution; 6. by contacting the company via telephone, mail or e-mail. In some jurisdictions other equivalent documents may exist which may provide satisfactory evidence on the identity of a customer. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons.
Recommendation of the MONEYVAL Report	*In all cases where a power of attorney exists, full identification of the person(s) granting the power of attorney should be carried out.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Reporting entity can establish a business relationship with natural person only in customer's presence and full identification shall be undertaken. Latter, in carrying

	out transaction amounting to HRK 105,000.00 or more, which can be conducted by authorized person, customer ID shall be collected. AMLFT Law, Art. 17, Para. 1: For a customer which is a natural person and natural person's legal representative, and for a customer who is a craftsman or a person involved in the performance of another independent business activity, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of official customer's personal identification document in customer's presence. AMLFT Law, Art. 20,: (3) Should a person authorised by power of attorney conduct transactions referred to in Article 9, paragraph 1, item 2 of this Law (COMMENT: carrying out each transaction amounting to HRK 105,000.00 or more) on behalf of a customer who is a legal person, a natural person, a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall identify the person authorised by power of attorney and verify such person's identity via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law. (4) The reporting entity shall collect data referred to in Article 16, paragraph 1, items 1 and 5 of this Law on the customer on whose behalf the person authorised by power of attorney shall act, which data shall be collected on the basis of the notarised power of attorney.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatian Legislation should provide a definition of "beneficial owner" on the basis of the glossary to the FATF Methodology. Financial institutions should be required to take reasonable measures to verify the identity of beneficial owners using relevant information or data obtained from reliable sources.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, giving the relevant definition and procedure for beneficial owner identification. AMLFT Law: **Sub-section 2** THE BENEFICIAL OWNER IDENTIFICATION MEASURE **Customer's Beneficial Owner - Article 23** (4) The beneficial owner shall be: 1. with legal persons, branches, representative offices and other entities subject to domestic and foreign law made equal with a legal person: - the natural person who ultimately owns or controls a legal entity through direct or indirect ownership or a natural person who controls a sufficient percentage of shares of voting rights in that legal person, and a percentage of 25 per cent plus one share shall be deemed sufficient to meet this requirement, - a natural person who otherwise exercises control over management of a legal person; 2. with legal persons, such as endowments and legal transactions such as trust dealings which administer and distribute monies: - where the future beneficiaries have already been determined,

	the natural person who is the beneficial owner of 25% or more of the property rights of the legal transaction, - where natural or legal persons who will benefit from the legal transactions have yet to be determined, the persons in whose main interest the legal transaction or legal person is set up or operates; - natural person who exercises control over 25% or more of the property rights of the legal transaction. 3. a natural person who shall control another natural person on whose behalf a transaction is being conducted or an activity performed. **Identifying Customer's Beneficial Owner** **Article 24** (1) The reporting entity shall identify customer's beneficial owner which shall be a legal person, a representative office, a branch, another entity subject to domestic or foreign law made equal with a legal person through the collection of data prescribed in Article 16, paragraph 1, item 4 of this Law. (2) The reporting entity shall collect data referred to in paragraph 1 of this Article through the examination of the original or notarised documents from a court or other public register, which may not be more than three months old. (3) The reporting entity may collect data referred to in paragraph 1 of this Article also through direct examination of court or other public register while taking account of the provisions contained in Article 18, paragraphs 3 and 5 of this Law. (4) Should the court or other public register be insufficient to enable the collection of data on customer's beneficial owner, the reporting entity shall collect the missing data through the examination of the original or notarised documents and other business documentation supplied to the reporting entity by the legal representative or person authorised by power of attorney. (5) Should it arise that the missing data for objective reasons cannot be collected in the manner set forth in paragraphs 2, 3 and 4 of this Article, the reporting entity shall collect data directly from a written statement given by the customer's legal representative or the person authorised by power of attorney as referred to in paragraph 1 of this Article. (6) The reporting entity must collect data on the ultimate beneficial owner of a customer referred to in paragraph 1 of this Article. The reporting entity shall check the collected data in the manner that enables the reporting entity to have knowledge of the ownership structure and control of the customer to an extent that meets the criterion of satisfactory knowledge of beneficial owners, depending on risk assessment.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above
Recommendation of the MONEYVAL Report	*Financial institutions should be required to determine for all clients whether the customer is acting on behalf of a third party. If this is the case, they should identify the beneficial owner and verify the latter's identity. With regard to clients which are legal persons, financial institutions should understand the controlling structure of the customer and determine who the beneficial owner is.*

Measures reported as of 18 March 2009 to implement the Recommendation of the report	(see also previous Recommendation) On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Reporting entity must have knowledge of the ownership structure and control of the customer to an extent that meets the criterion of satisfactory knowledge of beneficial owners. AMLFT Law: **Customer Due Diligence Measures** **Article 8** (1) Unless otherwise prescribed in this Law, customer due diligence shall encompass the following measures: **1.** identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a credible, reliable and independent source; **2. identifying the beneficial owner of the customer and verifying beneficial owner's identity;** **3.** obtaining information on the purpose and intended nature of the business relationship or transaction and other data in line with this Law; **4.** conducting ongoing monitoring of the business relationship including due scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the reporting entity's knowledge of the customer, the type of business and risk, including, as necessary, information on the source of funds, in which the documents and data available to the reporting entity must be kept up-to-date. (2) The reporting entities shall be obliged to define the procedures for the implementation of measures referred to in paragraph 1 in their respective internal enactments. Art. 24: (6) The reporting entity must collect data on the ultimate beneficial owner of a customer referred to in paragraph 1 of this Article. The reporting entity shall check the collected data in the manner that enables the reporting entity to have knowledge of the ownership structure and control of the customer to an extent that meets the criterion of satisfactory knowledge of beneficial owners, depending on risk assessment.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above
Recommendation of the MONEYVAL Report	*Financial institutions should be required to obtain information on the purpose and intended nature of the business relationship.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, requiring information on the purpose and intended nature of the business relationship or transaction. AMLFT Law: **Customer Due Diligence Measures**

	Article 8 (1) Unless otherwise prescribed in this Law, customer due diligence shall encompass the following measures: 1. identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a credible, reliable and independent source; 2. identifying the beneficial owner of the customer and verifying beneficial owner's identity; 3. obtaining information on the purpose and intended nature of the business relationship or transaction and other data in line with this Law; 4. conducting ongoing monitoring of the business relationship including due scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the reporting entity's knowledge of the customer, the type of business and risk, including, as necessary, information on the source of funds, in which the documents and data available to the reporting entity must be kept up-to-date. (2) The reporting entities shall be obliged to define the procedures for the implementation of measures referred to in paragraph 1 in their respective internal enactments.
Measures taken to implement the recommendations since the adoption of the first progress report	According to Chapter VI.2. of Hanfa's Guidelines To monitor and verify the compliance of the customer's business operations against the envisaged nature and purpose of the business relationship that a customer has entered into with the reporting entity, the following measures will be used: a. an analysis of data on the purchase and/or sale of a financial instrument or an analysis of other transactions during a certain period of time with a view to determining any circumstances that might, in connection with a certain purchase or sale of financial instruments or other transaction, give rise to the suspicion of money laundering or terrorist financing. A decision on suspicion shall be based on the criteria of suspicion determined in the Indicators for the detection of suspicious customers and transactions that give rise to the suspicion of money laundering and/or terrorist financing; b. conducting a new customer risk assessment, or updating the previous customer risk assessment.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to conduct on-going due diligence on the business relationship and to ensure that documents, data or information collected under the CDD process are kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher risk categories of customers or business relationships.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, defining the CDD as ongoing process. AMLFT Law: **Measure of Ongoing Monitoring of the Business Relationship** **Article 26** (1) The reporting entity shall be obliged to exercise due care in monitoring of business activity the customer shall conduct with the reporting entity, thereby ensuring the knowledge of the customer, including the knowledge of the source of funds at customer's disposal for doing business. (2) The reporting entity shall be obliged to monitor business activities conducted by the customer with the reporting entity through the application of the following

	measures: 1. monitoring and scrutinising the compliance of customer's business with the intended nature and purpose of the business relationship the customer had established with the reporting entity; 2. monitoring and scrutinising the compliance of sources of funds with the intended source of funds the customer had indicated at the establishment of the business relationship with the reporting entity; 3. monitoring and scrutinising the compliance of customer's operations or transactions with the customer's usual scope of business operation or transactions; 4. monitoring and updating the collected documents and information on customers, including the carrying out of repeated annual customer due diligence in instances set forth in Article 27 of this Law. (3) The reporting entity shall be obliged to ensure that the scope, i.e. the frequency of conducting measures referred to in paragraph 2 of this Article be adapted to the money laundering or terrorist financing risk to which the reporting entity shall be exposed during the course of conducting individual business undertakings, i.e. during the course of doing business with individual customers, in keeping with the provisions contained in Article 7 of this Law. Additionally, Article 30, Para. 3: (3) The reporting entity may apply an enhanced customer due diligence measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or might exist a great degree of money laundering or terrorist financing risk, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer.
Measures taken to implement the recommendations since the adoption of the first progress report	According to Chapter VI.1 of Hanfa's Guidelines Ongoing monitoring of the business activities of the customer is essential for the determination of the efficacy of implementation of the prescribed measures in the area of detection and prevention of money laundering and terrorist financing. The purpose of monitoring customer business activities lies in the determination of the legitimacy of customer's business operations and verification of the compliance of customer's business operations against the envisaged nature and purpose of the business relationship that the customer has entered into with the reporting entity and against the usual scope of its operations. Monitoring customer business activities can be divided into four segments of the customer's business operations with the reporting entity: 1 monitoring and verifying the compliance of the customer's business operations against the envisaged nature and purpose of the business relationship; 2 monitoring and verifying the compliance of the customer's sources of funds against the envisaged source of funds indicated by the customer during the establishment of a business relationship with the reporting entity; 3 monitoring and verifying the compliance of the customer's business operations against the usual scope of its operations; 4 monitoring and updating the collected customer documents and data.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to perform enhanced due diligence for higher risk categories of customers, business relationship or transaction, including private banking, companies with bearer shares and non-resident customers.*
Measures reported as of 18 March 2009 to implement the	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, requiring the enhanced CDD for higher risk categories of

Recommendation of the report	customers, business relationship or transaction. AMLFT Law: **Sub-section 1:** ENHANCED CUSTOMER DUE DILIGENCE **General Provisions** **Article 30** (1) In addition to the measures referred to in Article 8, paragraph 1 of this Law, enhanced customer due diligence shall include additional measures provided for by this Law for the cases as follows: 1. the establishment of a **correspondent relationship** with a bank or other similar credit institution seated in a third country; 2. the establishment of a business relationship or the conducting of a transaction referred to in Article 9, paragraph 1, items 1 and 2 of this Law with a customer who is a **politically exposed person** as referred to in Article 32 of this Law; 3. in instances when the **customer was not present** in person during identification and identity verification of the person during the course of due diligence measures implementation. (2) The reporting entity shall be obliged to conduct enhanced customer due diligence in all instances covered in paragraph 1 of this Article. (3) The reporting entity may apply an enhanced customer due diligence measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or **might exist a great degree of money laundering or terrorist financing risk, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances** associated with the customer. **Correspondent Relationships with Credit Institutions from Third Countries** **Article 31** (1) At establishing a correspondent relationship with a bank or other credit institution seated in a third country, the reporting entity shall be obliged to conduct measures referred to in Article 8, paragraph 1 within the framework of enhanced customer due diligence and additionally gather the following data, information and documentation: 1. date of issuance and validity period of license for the performance of banking services, as well as the name and seat of the competent third country license issuing body; 2. description of the implementation of internal procedures relative to money laundering and terrorist financing prevention and detection, notably the procedures of customer identify verification, beneficial owners identification, reporting the competent bodies on suspicious transactions and customers, keeping records, internal audit and other procedures the respective bank, i.e. other credit institution passed in relation with money laundering and terrorist financing prevention and detection; 3. description of the systemic arrangements in the field of money laundering and terrorist financing prevention and detection in effect in the third country in which the bank or other credit institution has its seat or in which it was registered; 4. a written statement confirming that the bank or other credit institution does not operate as a shell bank; 5. a written statement confirming that the bank or other credit institution neither has business relationships with shell banks established nor does it

	establish relationships or conduct transactions with shell banks; 6. a written statement confirming that the bank or other credit institution falls under the scope of legal supervision in the country of their seat or registration, and that they are obliged to apply legal and other regulations in the field of money laundering and terrorist financing prevention and detection in keeping with the effective laws of the country. (2) A reporting entity's employee involved in establishing correspondent relationships referred to in paragraph 1 of this Article and running the enhanced customer due diligence procedure shall be obliged to obtain a written consent from the superior responsible person of the reporting entity prior to the establishment of the business relationship. (3) The reporting entity shall gather data referred in paragraph 1 of this Article through the examination of public or other available records, i.e. through the examination of documents and business documentation supplied by a bank or other credit institution seated in a third country. (4) The reporting entity shall not be permitted to establish or to extend a correspondent relationship with a bank or other credit institution seated in a third country should: 1. the reporting entity fail to first gather data referred to in paragraph 1, items 1, 2, 4, 5 and 6 of this Article; 2. the employee fail to first obtain written consent from the superior responsible person of the reporting entity for the purposes of establishing a correspondent relationship; 3. the bank or other credit institution seated in a third country be without a money laundering and terrorist financing prevention and detection system in place or if the laws of the third country in which the said institutions shall be seated or registered shall not require the institutions to apply legal and other adequate regulations in the field of money laundering and terrorist financing prevention and detection; 4. the bank or other credit institution seated in a third country operate as a shell bank, i.e. if it establishes correspondent or other business relationships and conducts transactions with shell banks. **Foreign Politically Exposed Persons** **Article 32** (1) The reporting entities shall be obliged to apply an adequate procedure to determine whether or not a customer is a foreign politically exposed person. (2) The procedure referred to in paragraph 1 shall be defined through an internal reporting entity's enactment taking account of guidelines given by the competent supervisory body referred to in Article 83 of this Law. (3) A foreign politically exposed person referred to in paragraph 1 of this Article shall be any natural person with permanent address or habitual residence in a foreign country who shall act or had acted during the previous year (or years) at a prominent public function, including their immediate family members, or persons known to be close associates of such persons. (4) Natural persons who shall act or had acted at a prominent public function shall be: a) presidents of countries, prime ministers, ministers and their deputies or assistants; b) elected representatives of legislative bodies; c) judges of supreme, constitutional and other high courts against whose verdicts, save for exceptional cases, legal remedies may not

	be applied; d) judges of financial courts and members of central bank councils; e) foreign ambassadors, consuls and high ranking officers of armed forces; f) members of management and supervisory boards in government-owned or majority government-owned legal persons. (5) The immediate family members referred to in paragraph 3 of this Article shall be: spouses or common-law partners, parents, siblings, as well as children and their spouses or common-law partners. (6) The close associate referred to in paragraph 3 of this Article shall be any natural ll share common profits from property or an established business relationship, or a ich the person referred to in paragraph 3 of this Article shall have any other close business contacts. (7) Should the customer who shall establish a business relationship or conduct a should the customer on whose behalf the business relationship is being established or the transaction conducted be a foreign politically exposed person, the reporting entity shall in addition to the measures referred to in Article 8, paragraph 1 of this Law also take actions listed hereunder within the framework of the enhanced customer due diligence: 4. gather data on the source of funds and property which are or will be the subject matter of the business relationship or transaction, from documents and other documentation supplied by the customer. Should it be impossible to collect data in the described manner, the reporting entity shall collect data directly from a customer's written statement; 5. an employee of the reporting entity who shall run the procedure of business relationship establishment with a customer who is a foreign politically exposed person shall mandatorily obtain written consent from the superior responsible person before establishing such a relationship; 6. after the establishment of the business relationship, the reporting entity shall exercise due care in monitoring transactions and other business activities performed by a foreign politically exposed person with the reporting entity. **Customer's Absence during Identification and Identity Verification** **Article 33** (1) If the customer was not physically present with the reporting entity during the identification and identity verification, in addition to the measures referred to in Article 8, paragraph 1 of this Law, the reporting entity shall be obliged to conduct one or more additional measures referred to in paragraph 2 of this Article within the framework of the enhanced customer due diligence. (2) At customer identification and identity verification as referred to in paragraph 1 of this Article, the reporting entity shall be obliged to apply the following supplementary enhanced due diligence measures: 1. collect additional documents, data or information on the basis of which the customer's identity shall be verified; 2. additionally verify the submitted documents or additionally certify them by a foreign credit or financial institution referred to in Article 3, items 12 and 13 of this Law;

	3. apply a measure whereby the first payment within the business activity is carried out through an account opened in the customer's name with the given credit institution. (3) The establishment of a business relationship without physical presence of the customer shall not be permitted, unless the reporting entity shall apply the measure set forth in paragraph 2, item 3 of this Article. **New technologies** **Article 34** (1) Credit and financial institutions shall be obliged to pay a special attention to any money laundering and/or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banking, ATM use, tele-banking, etc.) and put policies in place and take measures aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes. (2) Credit and financial institutions shall be obliged to have policies and procedures in place for risks attached with a business relationship or transactions with non face to face customers and to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures, respecting the measures set forth in Article 33 of this Law
Measures taken to implement the recommendations since the adoption of the first progress report	Chapter IV.2. of HANFA's Guidelines covers enchanced CDD for high risk customers. **Risk of Business Relationship with other Credit Institution** Pursuant to the Item 6.3 of the CNB´s guidelines, the establishment of a correspondent relationship with a bank or another credit institution with a seat in a third country poses a high risk. In the context of enhanced due diligence, when establishing a correspondent relationship with a bank or other credit institution with a seat in a third country, the institutions should provide the following additional documentation: 1. a written statement that the bank or other credit institution has verified the identity of the customer and that it conducts ongoing due diligence of customers who have direct access to payable through accounts, 2. a written statement that the bank or other credit institution can provide upon request relevant data obtained on the basis of due diligence of customers with direct access to payable through accounts. Assessment of exposure to money laundering and terrorist financing risk is carried out in accordance with the risk criteria and elements from the risk matrix given in the CNB´s guidelines. The employee of the institution who establishes a correspondent relationship with a bank or other credit institution with a seat a third country and who performs an enhanced customer due diligence check is obliged to obtain a written approval of the superior responsible person prior to establishing the business relationship. **Foreign Politically Exposed Persons** Pursuant to the Item 6.4 of CNB´s guidelines, credit institutions and credit unions may, when determining whether or not a person is a politically exposed person, proceed in one of the following ways: 1. request the information from the customer by means of a written form; 2. collect the information from public sources (information that is publicly available in the media - in the press, on TV and on the Internet); 3. collect information by accessing commercial data bases which include lists of politically exposed persons. **Enhanced Customer Due Diligence Measures** (item 6.8 of CNB´s guidelines)

	Articles 31, 32 and 33 of the Law prescribe enhanced customer due diligence that institutions are obligated to perform when establishing correspondent relationships with third-country credit institutions, politically exposed persons or in cases of customer absence. With respect to other customers, business relationships and transactions which have been determined to be higher risk, institutions should, within the framework of increased level of standard verification, implement appropriate measures and controls aimed at reducing exposure to identified risks. These measures and controls may include: 1. monitoring of all areas of customers' operations, their business relationships, products and high risk transactions; 2. increased level of determination and verification of customer identity; 3. escalation for approval of the establishment of an account or relationship; 4. increased monitoring of transactions; and 5. increased levels of ongoing controls and frequency of reviews of relationships. The same measures and controls may address more than one of the risk criteria identified and it is not necessarily expected that a financial institution establish specific controls targeting each risk criteria. **New Technologies Providing for Anonymity** Furthermore, according to the Item 7 of the CNB´s guidelines**,** when establishing policies and procedures aimed at reducing exposure to the risk of money laundering and terrorist financing stemming from new technologies enabling anonymity (electronic or Internet banking, electronic money, etc), institutions should provide for implementation of technological solutions which ensure: 1. unequivocal identification of customers using electronic banking; 2. credibility of the signed electronic documents; 3. reliable measures against document and signature counterfeiting; 4. systems that are protected from alterations and ensure technical and cryptographic security for electronic banking; and 5. other conditions in accordance with positive regulations governing this area of operation. Aiming at unequivocal identification of customers using electronic banking, institutions may use different methods to determine identity, including PINs, passwords, smart cards, biometrics and digital certificates. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons. FI included into the Manual for the AML/CFT supervision and into the general Guidance paragraph on special forms of the customer due diligence measures - Enhanced customer due diligence. While the reporting entity must apply customer due diligence measures, some situations require the application of enhanced due diligence measures in a manner and in cases prescribed by the Act. Enhanced customer due diligence, must be applied when certain situations arise such as: 1) the establishment of a business relationship or the conducting of a transaction referred with a politically exposed person and 2) in instances when the customer was not present in person during identification and identity examination in the course of applying due diligence measures. The reporting entity may also apply enhanced due diligence when the reporting

	entity deems that the risk of money-laundering or terrorist financing is greater due to the nature of the business relationship, the form and manner of execution of the transaction execution, the business profile of the customer or other circumstances associated with the customer.
Recommendation of the MONEYVAL Report	*The exemption from identification provided by the AML By-law concerning transactions between banks should be reduced to relations between domestic banks. The AML By-law should clearly specify that no exemption from identification is allowed if there is a suspicion related to terrorism financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Mentioned AML By-law is not in force. There are no exemptions from identification. There is possibility of simplified CDD for legal persons but not if there is suspicion in ML or TF. AMLFT Law: **Sub-section 2:** SIMPLIFIED CUSTOMER DUE DILIGENCE **General Provisions - Article 35** (1) By way of derogation from the provisions contained in Article 8, paragraph 1 of this Law, the reporting entities may at establishing the business relationship and at conducting transactions referred to in Article 9, paragraph 1, items 1 and 2 of this Law, **except in instances when there are reasons for suspicion of money laundering or terrorist financing** in relation to a customer or a transaction, conduct a simplified customer due diligence, if the customer is: 1. reporting entity referred to in Article 4, paragraph 2, items 1, 2, 3, 6, 7, 8, 9 and 10 of this Law or other equivalent institutions under the condition that such an institution shall be seated in a member-state or a third country; 2. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers; 3. companies whose securities have been accepted and traded on the stock exchanges or the regulated public market in one or several member-states in line with the provisions in force in the European Union, i.e. companies seated in a third country whose securities have been accepted and traded on the stock exchanges or the regulated public market in a member-country or a third country, under the condition that the third country have the disclosure requirements in effect in line with the legal regulations in the European Union; 4. persons referred to in Article 7, paragraph 5 of this Law for which a negligent money laundering or terrorist financing risk shall exist. (2) By way of derogation from the provisions contained in paragraph 1 of this Article, a reporting entity establishing a correspondent relationship with a bank or other credit institution seated in a third country shall conduct the enhanced customer due diligence in keeping with the provisions contained in Article 30, paragraph 1, item 1 of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	**Low Money Laundering or Terrorist Financing Risk - Customer Risk** Pursuant to the Item 4.1. of the CNB´s guidelines, a reduced standard level of due diligence can be applied in case of: 1. banks, Member States bank branches, third countries bank branches, and banks from the Members States which are authorised for a direct provision of banking services in the Republic of Croatia, savings banks and housing savings banks; 2. Croatian Post (Hrvatska pošta d.d.); 3. investment funds management companies, business units of third countries investment funds management companies, investment funds management companies from the Member States which have a business unit in the

	Republic of Croatia, i.e. which are authorised to directly perform funds management business in the territory of the Republic of Croatia, and third parties which may be entrusted, in accordance with the law governing the operations of funds, with the conduct of individual operations by an investment fund management company; 4. pension companies; 5. companies authorised to do business with financial instruments and branches of foreign companies dealing with financial instruments in the Republic of Croatia; 6. insurance companies authorised for the performance of life insurance matters, branches of insurance companies from third countries authorised to perform life insurance matters and insurance companies from the Member States which perform life insurance matters directly or via a branch in the Republic of Croatia, or a similar institution provided it has a seat in a Member State or a third country; 7. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers; 8. companies whose securities have been accepted and are traded on the stock exchanges or the regulated public market in the Republic of Croatia or in one or several Member States in line with the provisions in force in the European Union, i.e. companies with a seat in a third country whose securities have been accepted and are traded on the stock exchanges or the regulated public market in a Member State or in that third country, under the condition that the third country disclosure requirements in effect are the same as those in effect in the European Union; 9. other financial institutions from equivalent third states. A reduced standard level of due diligence, i.e. simplified customer due diligence measures are prescribed by Article 36 of the AMLFT Law. In addition, customers identified as posing low risk in terms of money laundering and terrorist financing may only include those customers who meet the conditions determined by an ordinance of the Minister of Finance. By way of exception, when establishing a correspondent relationship with a bank or other credit institution with a seat in a third country, the institutions have to apply enhanced customer due diligence. **Product/Transaction Risk** Furthermore, according to the item 4.2. of the CNB´s guidelines, a reduced standard level of due diligence may be applied in case of the following products and transactions: 1. credit agreements where credit accounts are used exclusively for loan settlement and loan repayment is executed from an account opened in the name of the customer in a supervised credit institution; 2. transactions involving de minimis amounts for particular types of transactions (*e.g*. small insurance premiums); 3. savings deposits in housing savings banks. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons.
Recommendation of the MONEYVAL Report	*The exemption from identification in the situations of "withdrawal of money from debit, checks and saving accounts by physical persons" (Art. 4 para 6 of the AML Law) should be removed.*

Measures reported as of 18 March 2009 to implement the Recommendation of the report	With new Law, the mentioned exemption has been removed.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to apply CDD requirements to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. AMLFT Law: **Assessment of Money Laundering or Terrorist Financing Risks** **Article 7** (1) A money laundering or terrorist financing risk shall be the risk whereby a customer may abuse financial system for money laundering or terrorist financing purpose, i.e. that a business relationship, a transaction or a product shall be directly or indirectly used for money laundering or terrorist financing purposes. (2) Reporting entities shall be obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing. (3) Reporting entities shall undertake to align the risk analysis and assessment referred to in paragraph 2 with the guidelines to be passed by the competent supervisory bodies referred to in Article 83 of this Law in line with the powers vested in them. (4) During the course of risk analysis and assessment, i.e. the procedure aimed at determining risk rating referred to in paragraph 2 of this Article, the reporting entity and the supervisory body referred to in Article 83 of this Law shall be obliged to take account of the specificities of the reporting entity and its operations, e.g. the reporting entity's size and composition, scope and type of business matters performed, types of customers it deals with and products it offers. (5) The reporting entities may include only those customers meeting the requirements to be set forth in a rulebook to be passed by the Minister of Finance in the group of customers representing a negligible money laundering or terrorist financing risk. ENHANCED CUSTOMER DUE DILIGENCE **General Provisions** **Article 30** (1) In addition to the measures referred to in Article 8, paragraph 1 of this Law, enhanced customer due diligence shall include additional measures provided for by this Law for the cases as follows: 1. the establishment of a correspondent relationship with a bank or other

	similar credit institution seated in a third country; 2. the establishment of a business relationship or the conducting of a transaction referred to in Article 9, paragraph 1, items 1 and 2 of this Law with a customer who is a politically exposed person as referred to in Article 32 of this Law; 3. in instances when the customer was not present in person during identification and identity verification of the person during the course of due diligence measures implementation. (2) The reporting entity shall be obliged to conduct enhanced customer due diligence in all instances covered in paragraph 1 of this Article. (3) **The reporting entity may apply an enhanced customer due diligence measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or might exist a great degree of money laundering or terrorist financing risk, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer.** **Additionally, fulfilling the Recommendation, Article 102, AMLFT Law covers risk based existing customers due diligence:** **The reporting entities referred to in Article 4, paragraph 2 (ALL REPORTING ENTITIES) of this Law shall undertake to conduct due diligence of all existing customers within one year after the effective date of this Law, for which existing customers the reporting entities shall establish on the basis of Article 7 of this Law that a high money laundering or terrorist financing risk shall or might exist.**
Measures taken to implement the recommendations since the adoption of the first progress report	FI included into the Manual for the AML/CFT supervision (and into the draft general Guidance) paragraph on special forms of the customer due diligence measures , Enhanced customer due diligence While the reporting entity must apply customer due diligence measures, some situations require the application of enhanced due diligence measures in a manner and in cases prescribed by the Act. Enhanced customer due diligence, must be applied when certain situations arise such as: 1) the establishment of a business relationship or the conducting of a transaction referred with a politically exposed person and 2) in instances when the customer was not present in person during identification and identity examination in the course of applying due diligence measures. The reporting entity may also apply enhanced due diligence when the reporting entity deems that the risk of money-laundering or terrorist financing is greater due to the nature of the business relationship, the form and manner of execution of the transaction execution, the business profile of the customer or other circumstances associated with the customer.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities.

Recommendation 5 (Customer due diligence) II. Regarding DNFBP[6]	
Recommendation of the MONEYVAL Report	*Croatia should include accountants, lawyers and public notaries within Article 2 of the AML Law, along with the other reporting institutions and make these professions subject to the same CDD and reporting requirements as the other DNFBP when they are participating in financial transactions.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, including accountants, lawyers and public notaries within Article 4 of the AMLFT Law, along with all other reporting entities. During the performance of matters from their respective scopes of competence as defined in other laws, lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services (hereinafter referred to as the persons performing professional activities) shall be obliged to carry out money laundering and terrorist financing prevention and detection measures and to observe the provisions of this Law providing for duties and obligations of other reporting entities (Art. 51, AMLFT Law). According to the standard, lawyers and notaries shall carry out this measures when assisting in planning or conducting transactions on behalf of a customer in relation with: buying or selling real-estate or stakes, i.e. shares in a company; management of cash funds, financial instruments or other customer-owned property; opening or managing bank accounts, savings deposits or financial instruments trading accounts; collecting funds necessary for the establishment, operation or management of a company; establishment, operation or management of an institution, a fund, a company or another legally defined organisational form; and when carrying out real-estate related financial transaction or transactions on behalf and for the account of a customer. AMLFT Law: **Reporting Entities** **Article 4** (1) Measures, actions and procedures for the prevention and detection of money laundering and terrorist financing laid down in this Law shall be carried out before and/or during each transaction, as well as upon entering into legal arrangements aimed at obtaining or using property and in other forms of disposing of monies, rights and other property in other forms which may serve for money laundering and terrorist financing purposes. (2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be: 1. banks, branches of foreign banks and banks from member-states authorised for a direct provision of banking services in the Republic of Croatia; 2. savings banks; 3. housing savings banks; 4. credit unions; 5. companies performing certain payment operations services, including money transfers; 6. Croatian Post Inc. 7. investment funds management companies, business units of third countries management companies, management companies from member-states which have a business unit in the Republic of Croatia, i.e. which are authorised to

[6] i.e. part of Recommendation 12.

	directly perform funds management business in the territory of the Republic of Croatia and third parties which are allowed, in keeping with the law providing for the funds operation, to be entrusted with certain matters by the respective management company; 8. pension companies; 9. companies authorised to do business with financial instruments and branches of foreign companies dealing with financial instruments in the Republic of Croatia; 10. insurance companies authorised for the performance of life insurance matters, branches of insurance companies from third countries authorised to perform life insurance matters and insurance companies from member-states which perform life insurance matters directly or via a branch in the Republic of Croatia; 11. companies for the issuance of electronic money, branches of companies for the issuance of electronic money from member-states, branches of companies for the issuance of electronic money from third countries and companies for the issuance of electronic money from member-states authorised to directly render services of issuing electronic money in the Republic of Croatia; 12. authorised exchange offices; 13. organisers of games of chance: a) lottery games, b) casino games, c) betting games, d) slot-machine gaming, e) games of chance on the Internet and via other telecommunications means, i.e. electronic communications; 14. pawnshops; 15. legal and natural persons performing business in relation to the activities listed hereunder: a) giving credits or loans, also including: consumers' credits, mortgage loans, factoring and commercial financing, including forfeiting, b) leasing, c) payment instruments issuance and management (e.g., credit cards and traveller's cheques), d) issuance of guarantees and security instruments, e) investment management on behalf of third parties and providing advisory thereof, f) rental of safe deposit boxes, g) credit dealings intermediation, h) insurance agents with entering into life insurance agreements, i) insurance intermediation with entering into life insurance agreements, j) trusts or company service providers, k) trading precious metals and gems and products made of them, l) trading artistic items and antiques, m) organising or carrying out auctions, n) real-estate intermediation. **16. legal and natural persons performing matters within the framework of the following professional activities:** **a) lawyers, law firms and notaries public,** **b) auditing firms and independent auditors,** **c) natural and legal persons performing accountancy and tax advisory services.** (3) Reporting entities referred to in paragraph 2, item 16 of this Article shall carry

	out measures for the prevention and detection of money laundering and terrorist financing as provided for in this Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed in the third chapter of this Law. (4) The Minister of Finance may issue a rulebook to set terms and conditions under which the reporting entities referred to in paragraph 2 of this Article who perform financial activities only occasionally or within a limited scope and with which there is a negligible money laundering or terrorist financing risk may be excluded from the group of reporting entities obliged to implement measures as per this Law. (5) Branches of foreign credit and financial institutions and other reporting entities established in the Republic of Croatia as per a law providing for their work, in addition to branches of credit and financial institutions referred to in paragraph 2, items 1, 7, 9, 10, 11 of this Article, shall be reporting entities obliged to implement measures and actions referred to in paragraph 1 of this Article.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatia should fully implement Recommendation 5 and make these measures applicable to DNFBP in the situations described in Recommendation 12.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. AMLFT Law: Article 4: (3) Reporting entities referred to in paragraph 2, item 16 of this Article shall carry out measures for the prevention and detection of money laundering and terrorist financing as provided for in this Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed in the third chapter of this Law. CHAPTER III DUTIES OF LAWYERS, LAW FIRMS AND NOTARIES PUBLIC, AND AUDITING FIRMS AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS INVOLVED IN THE PERFORMANCE OF ACCOUNTING SERVICES AND TAX ADVISORY SERVICES **General Provisions - Article 51** During the performance of matters from their respective scopes of competence as defined in other laws, lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services (hereinafter referred to as the persons performing professional activities) shall be obliged to carry out money laundering and terrorist financing prevention and detection measures and to observe the provisions of this Law providing for duties and obligations of other reporting entities, unless set forth otherwise in this Chapter. **Tasks and Duties of Lawyers, Law Firms and Notaries Public** **Article 52**

	By way of derogation from the provisions contained in **Article 51** of this Law, lawyers, law firms or notaries public shall observe the provisions of this Law only in instances when: 1. assisting in planning or conducting transactions on behalf of a customer in relation with: a. buying or selling real-estate or stakes, i.e. shares in a company; b. management of cash funds, financial instruments or other customer-owned property; c. opening or managing bank accounts, savings deposits or financial instruments trading accounts; d. collecting funds necessary for the establishment, operation or management of a company; e. establishment, operation or management of an institution, a fund, a company or another legally defined organisational form; 2. carrying out real-estate related financial transaction or transactions on behalf and for the account of a customer. **Customer Due Diligence Conducted by Persons Involved in the Performance of Professional Activities - Article 53** (1) Within the framework of customer due diligence at establishing the business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 4, 5, 7, 8 and 10 of this Law. (2) Within the framework of customer due diligence at conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 9 and 10 of this Law. (3) Within the framework of customer due diligence in instances when there shall be suspicion of credibility and veracity of the previously collected customer or beneficial owner information, and in all instances when there shall be reasons for suspicion of money laundering or terrorist financing as referred to in Article 9, paragraph 1, items 3 and 4 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of this Law. (4) Within the framework of customer identification, the persons involved in the performance of professional activities shall identify the customer, i.e. customer's legal representative or the person authorised by power of attorney and shall gather information referred to in Article 16, paragraph 1, item 1 of this Law, through the examination of a customer's official personal identification document, i.e. original documents or notarised photocopies of documents or notarised documentation from a court or other public register, which may not be more than three months old. (5) The persons involved in the performance of professional activities shall identify the beneficial owner of the customer, which beneficial owner shall be a legal person or another similar legal entity through the gathering of information referred to in Article 16, paragraph 1, item 4 of this Law, through examination or original or notarised photocopy of documentation from a court or other public register, which may not be more than three months old. Should the excerpts from a court or other public register be insufficient to enable the collection of all information, the missing information shall be collected through the examination of original or notarised photocopies of documents and other business documentation presented by the legal person's legal representative, i.e. his/her person authorised by power of attorney.

	(6) The persons involved in the performance of professional activities shall gather other information referred to in Article 16, paragraph 1 of this Law through the examination of original or notarised photocopy of documents and other business documentation. (7) Should it be impossible to obtain all data in the manner set forth in this Article, the missing information, except for information referred to in Article 16, paragraph 1, item 1, sub-item 5, item 5, sub-item 5 and item 11 of this Law, shall be gathered directly from a written statement given by the customer or customer's legal representative. (8) At establishing a business relationship with a customer subject to the mandatory audit of annual accounting statements as prescribed by a law providing for the customer's business activity, an auditing firm and an independent auditor may conduct a simplified customer due diligence, save for instances where reasons for suspicion of money laundering or terrorist financing shall exist associated with a customer or circumstances of an audit. (9) The persons involved in the performance of professional activities shall conduct customer due diligence measures referred to in paragraphs 1-7 of this Article to the extent and within the scope relevant to their scope of work. **Obligation of the persons involved in the performance of professional activities to report the Office on transactions and persons in relation to which reasons for suspicion of money laundering and terrorist financing shall exist** **Article 54** (1) Should a lawyer, a law firm and a notary public, as well as an auditing firm and an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services establish during the performance of matters referred to in Article 52 of this Law that reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or certain person, they shall undertake to notify the Office thereof without any undue delay pursuant to with the provisions contained in Article 42 of this Law. (2) In all instances when the customer seeks an advice from persons involved in the performance of professional activities on money laundering or terrorist financing, the persons involved in the performance of professional activities shall undertake to immediately notify the Office thereof, and no later than within three business days from the date the customer sought for such an advice. (3) At reporting the Office on suspicious transactions, the persons involved in the performance of professional activities shall furnish the Office with information referred to in Article 16, paragraph 1 of this Law in the manner to be prescribed by the Minister of Finance in a rulebook. **Exceptions for persons involved in the performance of professional activities** **Article 55** (1) The provisions contained in Article 54, paragraphs 1 of this Law shall not apply to the persons involved in the performance of professional activities in respect of information they receive from or obtain on a customer during the course of establishing the legal position of the customer or during the representation of the customer in relation with a court proceeding which shall include advice on proposing or avoiding court proceeding, whether such information is received or obtained before, during or after the completion of such court proceedings. (2) In the instance covered in paragraph 1 of this Article, the persons involved in the performance of professional activities shall not be obliged to supply data,

	information and documentation on the basis of the Office's request referred to in Article 59 of this Law. In such instances, they shall undertake to proceed without any undue delay and no later than within fifteen days from the receipt of the request supply the Office with a substantiated written explanation of reasons for which they did not comply with the Office's request. (3) By way of derogation from the obligations prescribed in this Law, the persons involved in the performance of professional activities shall not be obliged: 1. to report the Office on cash transactions referred to in Article 40, paragraph 1 of this Law, except in instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a customer; 2. to appoint authorised persons and authorised person's deputy; 3. to carry out internal audit over the performance of money laundering and terrorist financing related tasks.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatian authorities should clarify that casinos can use only reliable, independent source documents, data or information for the verification process of identification*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	(see second MONEYVAL Rec. to Rec. 5) On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Should the reporting entity be unable to collect the prescribed data from the official personal identification document submitted, the missing data shall be collected from other valid public documents submitted by the customer, i.e. directly from the customer. Should the reporting entity have suspicion during the course of identifying the customer and verifying the customer's identity in accordance with the provisions of the Law as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the customer to give a written statement. The reporting entity which is unable to identify and verify the customer shall not be allowed to establish a business relationship or to carry out a transaction, i.e. such a reporting entity must terminate the already established business relationship and notify the AMLO. **Obligation of Applying Customer Due Diligence Measures by Organisers of Lottery Games, Casino Games, Betting Games, Games of Chance on Slot-Machines and Games of Chance on the Internet or other Telecommunication Means, i.e. Electronic Communications** **Article 12** (1) Organisers of casino games shall conduct the measure of identifying the customer and verifying the customer's identity on customer's entry into the casino, collecting the following information: - name and surname of natural person, permanent address, date and place of birth; - identification number and name, number and name of the body which issued the identification document; - date and time of entry into the casino. (2) With the transaction referred to in Article 9, paragraph 1, item 2 of this Law, the

	organisers of lottery games, casino games, betting games and games of chance on slot machines shall identify the customer and verify the identity of the customer at the point of performing the transaction at the cash register, collecting the following information: - name and surname of natural person, permanent address, date and place of birth; - identification number and name, number and name of the body which issued the identification document; (3) By way of derogation from the provisions contained in paragraph 2 of this Article, the organiser of lottery games, casino games, betting games and games of chance on slot machines shall be obliged to carry out due diligence measures when there are reasons for suspicion of money laundering or terrorist financing in relation with a customer, product or transaction, even for transactions amounting to HRK 105,000.00 and less on executing the transaction at the cash register. (4) The establishment of a business relationship referred to in Article 9, paragraph 1, item 1 of this Law shall also include the registration of a customer to take part in the system of organising games of chance with organisers arranging the games of chance on the Internet or other telecommunications means, i.e. electronic communications. (5) At establishing business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the organiser of games of chance on the Internet or other telecommunications means, i.e. electronic communications, shall collect information referred to in paragraph 2 of this Article. **Identifying a Natural Person and Verifying the Natural Person's Identity** **Article 17** (1) For a customer which is a natural person and natural person's legal representative, and for a customer who is a craftsman or a person involved in the performance of another independent business activity, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of official customer's personal identification document in customer's presence. (2) Should the reporting entity be unable to collect the prescribed data from the official personal identification document submitted, the missing data shall be collected from other valid public documents submitted by the customer, i.e. directly from the customer. (3) The reporting entity may identify the customer and verify the customer's identity in cases when the customer is a natural person, i.e. the person's legal representative, a craftsman and a person involved in the performance of other independent business activity in other ways, should the Minister of Finance prescribe so in a rulebook. (4) In instances in which the customer is a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall collect data defined in Article 16, paragraph 1, item 5 of this Law in keeping with the provisions contained in Article 18 of this Law. (5) Should the reporting entity have suspicion during the course of identifying the customer and verifying the customer's identity in accordance with the provisions of this Article as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the customer to give a written statement.
Measures taken to implement the	According to the Act on Games on Chance, identification of casino customers and verification of their identification is prescribed as follows:

recommendations since the adoption of the first progress report	**Article 43** (1) The visit to a casino and the participation in a game shall be allowed to adults only who are obliged to identify themselves. (2) The operator shall determine, check and record the identity of all persons entering the casino by keeping a record containing personal identification data, such as: the name and surname, address, date and place of birth, identification document number, the number and name of the authority that issued the identification document, as well as the date and time of entry into the casino. (3) The information from paragraph 2 shall be kept by the operator for at least 10 years. (4) The information from paragraph 2 of this Article are confidential and the operator may not disclose them to third parties unless stipulated otherwise by the law. (6) The activities pertaining to the entry into a casino and the ban of entry shall be stipulated by the concessionaire's internal procedures which are subject to the approval of the Ministry of Finance. (7) In a casino, the operator shall place prominent messages regarding responsible playing, possible gambling hazards, and realistic chances for winning. (8) The organiser shall provide physical security for players and customers pursuant to the provisions of the Act on the Security of Persons and Property. (9) Persons wearing a uniform may enter a casino only for professional duty. The visit to casino and the participation in games of chance may be temporarily banned or restricted to specific persons where there is a reasonable assumption that the frequency and intensity of their participation in the game may put at risk their subsistence minimum, and where this is requested by institutions engaged in the protection of family in cases where a player causes damage to himself or to a family supported by him by uncontrolled gambling.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 10 (Record keeping) I. Regarding Financial Institutions	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be required to keep documents longer than five years if requested by a competent authority*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, requiring keeping the data collected on the basis of the AMLFT Law and the accompanying documentation for the period of ten years after a transaction execution or the termination of a business relationship. AMLFT Law: **Period of Data Keeping by the Reporting Entities** **Article 78** (1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this

	Law shall undertake to keep data collected on the basis of this Law and regulations passed on the basis of this Law and the accompanying documentation for the period of **ten years after a transaction execution**, the termination of a business relationship, entry of a customer into a casino or approaching a safe deposit box. (2) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall undertake to keep data and the accompanying documentation on an authorised person and the authorised person's deputy, the professional training of employees and the performance of internal audit referred to in Articles 44, 49 and 50 of this Law for the period of four years after the appointment of the authorised person and the authorised person's deputy, the delivery of professional training or the performed internal audit. (3) By way of derogation from the provisions contained in paragraph 1 of this Article, lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall undertake to keep data and the accompanying documentation they collected on the basis of Article 53 of this Law for the period of ten years after the completion of customer identification. (4) By way of derogation from the provisions contained in paragraph 2 of this Article, lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall undertake to keep data and the accompanying documentation on professional training of employees for the period of four years after the delivery of professional training.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The record keeping provisions for all financial institutions (and not only for banks) should require the collection or maintenance of account files or business correspondence.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	(see previous) On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, requiring keeping the data collected on the basis of the AMLFT Law and the accompanying documentation for the period of ten years after a transaction execution or the termination of a business relationship. Additionally, according to the Accounting Act (enacted by the Croatian Parliament at its session of 5 October 2007), Articles 7, 10, 17: The following business books and bookkeeping documents shall be preserved: - the journal and the general ledger – for a minimum period of **eleven years**; - subsidiary ledgers – for a minimum period of **seven years**; - documents on the basis of which data have been entered into the journal and general ledger shall be preserved for a minimum period of **eleven years**; - documents on the basis of which data have been entered into subsidiary ledgers shall be preserved for a minimum period of **seven years**; - the auditor's report shall be preserved **permanently** in the original. This situation already resulted with changes related to business keeping procedures by the reporting entities, adopting the internal procedures with longer time limits in accordance with AMLFT Law as *lex specialis*, according to the information given

	by reporting entities (e.g., banks: instead of 7 years, they are organising the bookkeeping for the time limit of ten years after a transaction execution or the termination of a business relationship for all business documents).
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*There should be a comprehensive requirement for ordering financial institutions to verify that originator information is accurate and meaningful.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	(relevant for SR VII !!) On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law, and on 2nd January 2009 the RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation (By-Law), implementing the Recommendations and correcting the deficiencies, harmonizing the legal framework with the REGULATION (EC) No 1781/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 November 2006 on information on the payer accompanying transfers of funds. Before making a cash wire transfer, the payee's payment service provider shall identify the payee and verify his/her identity through the review of an official payee's identification document in his/her presence, i.e. from credible and reliable documentation sources. Pursuant to the Article 4 Para 3 of the RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation (Official Gazette No. 1/2009), in the case of transfer of funds not made from an account, the payment service provider of the payer shall verify the information on the payer only where the amount exceeds EUR 1000, unless the transaction is carried out in several operations that appear to be linked and together exceed EUR 1000. AMLFT Law: **Wire transfers** **Article 15** (1) Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment. (2) The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk. (3) The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. (4) The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the

	requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination. (5) The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. (6) The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers. (7) When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation. RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation : **Duties of the Payee's Payment Service Provider** **Article 4** (1) Before making a cash wire transfer, the payee's payment service provider shall identify the payee and verify his/her identity through the review of an official payee's identification document in his/her presence, i.e. from credible and reliable documentation sources. (2) In instances when cash is being transferred from an account, identification may be regarded as performed: a) if the payee's identification was carried out at opening the account; b) if the payee was subsequently subject to customer due diligence in keeping with the Law. (3) In instances when cash transfers shall not be made from an account, the payment service provider is to check the payee information only if the Kuna equivalent amount shall exceed a total of EUR 1,000 or if the transfer shall be conducted in several obviously linked transactions with the Kuna equivalent amount in excess of EUR 1,000. (4) Irrespective of the transaction value, the payee's payment service provider shall identify and verify payee's identity in all instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a person.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant	

initiatives	
Recommendation 10 (Record keeping) II. Regarding DNFBP[7]	
Recommendation of the MONEYVAL Report	*For Recommendation 10, all transaction records should be kept, regardless of whether the transaction exceeds 200 000 Kuna or there is suspicion of money laundering, for at least five years. Account files and business correspondence should be kept in addition to identification records. Croatian authorities should satisfy themselves that casinos clearly follow the record keeping requirements of the AML Law.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, requiring keeping the data collected on the basis of the AMLFT Law and the accompanying documentation for the period of ten years after a transaction execution or the termination of a business relationship. **AMLFT Law**: **Article 78** (1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall undertake to keep data collected on the basis of this Law and regulations passed on the basis of this Law and the accompanying documentation for the period of **ten years after a transaction execution**, the termination of a business relationship, entry of a customer into a casino or approaching a safe deposit box. (2) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall undertake to keep data and the accompanying documentation on an authorised person and the authorised person's deputy, the professional training of employees and the performance of internal audit referred to in Articles 44, 49 and 50 of this Law for the period of four years after the appointment of the authorised person and the authorised person's deputy, the delivery of professional training or the performed internal audit. (3) By way of derogation from the provisions contained in paragraph 1 of this Article, lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall undertake to keep data and the accompanying documentation they collected on the basis of Article 53 of this Law for the period of ten years after the completion of customer identification. … **Customer Due Diligence Conducted by Persons Involved in the Performance of Professional Activities - Article 53** (1) Within the framework of customer due diligence at establishing the business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 4, 5, 7, 8 and 10 of this Law. (2) Within the framework of customer due diligence at conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 9 and 10 of this Law. (3) Within the framework of customer due diligence in instances when there shall be suspicion of credibility and veracity of the previously collected customer or beneficial owner information, and in all instances when there shall be reasons for suspicion of money laundering or terrorist financing as referred to in Article 9,

[7] i.e. part of Recommendation 12.

	paragraph 1, items 3 and 4 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of this Law. **Obtaining Information from the Reporting Entities** **Article 16** (1) During the course of conducting customer due diligence, the reporting entities referred to in Article 4, paragraph 2 shall obtain the following data: 1. name and surname, permanent address, date of birth, place of birth, personal identification number, name and number of the identification document issuing entity for the following natural persons: - natural person and natural person's legal representative, a craftsman or a person involved in carrying out other independent business activity, who shall establish a business relationship or conduct a transaction, i.e. on whose behalf the business relationship is being established or a transaction conducted; - legal representative or a person authorised by power of attorney who shall establish a business relationship or conduct a transaction on behalf of the legal person or another legal person and entity made equal to it from Article 21 of this Law; - person authorised by poser of attorney requesting or conducting a transaction for a customer; - a natural person, a craftsman or a person carrying out other independent business activity, for whom the lawyer, the law firm and the notary public, and the auditing company, the independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services shall conduct business matters; - a natural person in relation to whom there shall be reasons for suspicion of money laundering or terrorist financing, which reasons shall be established by a lawyer, a law firm and a notary public, and an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services; 2. name and surname, permanent address, date of birth, place of birth for the following natural persons: - natural person approaching a safe deposit box; - natural person who is a member of another legal person and an entity related to it as referred to in Article 21 of this Law; 3. name, surname and permanent address for: - natural person to whom the transaction shall be intended; 4. name and surname, permanent address, date of birth and place of birth of the beneficial owner; 5. name, seat (street and number, place and country) and business registration number (for a legal person, whereas the registration number is to be included for a craftsman or a person carrying out other independent business activity if such a number has been assigned to such a person) for: - a legal person establishing a business relationship or conducting a transaction, i.e. a legal person on whose behalf a business relationship is being established or transaction conducted; - craftsman or a person carrying out other independent business activity; - a legal person for whom a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, legal and natural persons

	involved in the performance of accounting services and tax advisory services shall conduct business matters; - a craftsman or a person carrying out other independent business activity for whom a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services shall conduct business matters; - a legal person in relation to which there shall be reasons for suspicion of money laundering or terrorist financing, which reasons shall be established by a lawyer, a law firm and a notary public, and an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services; 6. name and seat for: - a legal person or a craftsman to whom the transaction shall be intended; - other legal persons and entities made equal to them as referred to in Article 21 of this Law 7. information on the purpose and intended nature of the business relationship, including information on customer's business activity; 8. date and time of: - establishing a business relationship; - approaching a safe deposit box; 9. date and time of conducting a transaction, the transaction amount and currency in which the transaction is being executed, purpose (intention) of the transaction, the manner of transaction execution; 10. information on the source of funds, which are or will be subject matter of a business relationship or a transaction; 11. reasons for suspicion on money laundering or terrorist financing. (2) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entities shall be obliged to supply for the purposes of due diligence and reporting the Office on transactions. Additionally, according to the Accounting Act (enacted by the Croatian Parliament at its session of 5 October 2007), Articles 7, 10, 17: The following business books and bookkeeping documents shall be preserved: - the journal and the general ledger – for a minimum period of **eleven years**; - subsidiary ledgers – for a minimum period of **seven years**; - documents on the basis of which data have been entered into the journal and general ledger shall be preserved for a minimum period of **eleven years**; - documents on the basis of which data have been entered into subsidiary ledgers shall be preserved for a minimum period of **seven years**; - the auditor's report shall be preserved **permanently** in the original. This situation already resulted with changes related to business keeping procedures by the reporting entities, adopting the internal procedures with longer time limits in accordance with AMLFT Law as *lex specialis*, according to the information given by reporting entities (e.g., banks: instead of 7 years, they are organising the bookkeeping for the time limit of ten years after a transaction execution or the termination of a business relationship for all business documents).
Measures taken to implement the recommendations since the adoption of the first progress	See reply above.

report	
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 13 (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The legal provisions determining the Croatian STR system are too complicated in its structure and should be made easier to follow.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. New provisions are clear and general STR system embraced in one place, defining when and what to report as suspicious. AMLFT Law: **Obligation concerning the production of a list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist - Article 41** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to produce a list of indicators for the detection of suspicious transactions and customers in relation with which reasons for suspicion of money laundering or terrorist financing shall exist. (2) During the course of production of the list of indicators referred to in the previous paragraph of this Article, the reporting entities shall first of all take account of the specific features to their respective operations and the characteristics of a suspicious transaction referred to in Article 42, paragraph 7 of this Law. (3) During the course of determining the reasons for suspicion of money laundering or terrorist financing and other circumstances thereof, the reporting entities shall be obliged to use the list of indicators referred to in paragraph 1 of this Article as basic guidelines for determining the reasons for suspicion of money laundering and terrorist financing. (4) The list of indicators referred to in paragraph 1 of this Article shall be an integral part of the reporting entity's internal enactments, and the reporting entities shall be obliged to upgrade and adapt the list in accordance with the money laundering trends and typologies known to them, as well as with circumstances stemming from the operations of the given reporting entity. (5) The Office, the Financial Inspectorate, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervision Agency, the Croatian Chamber of Notaries Public, the Croatian Bar Association, the Croatian Tax Advisors Chamber, and associations and societies whose members shall be obliged to observe this Law shall cooperate with the reporting entities for the purpose of producing the list of indicators referred to in paragraph 1 of this Article. (6) The Minister of Finance may issue a special rulebook to prescribe mandatory inclusion of individual indicators into the list of indicators for the detection of

	suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist. **Requirement and Deadlines for Reporting on Suspicious Transactions and Persons** **Article 42** (1) The reporting entities shall be obliged to refrain from the conducting of a transaction for which the reporting entity shall know or suspect to be connected with money laundering, i.e. terrorist financing. The reporting entity shall be obliged to notify the Office on such a transaction without any undue delay before the transaction execution, and to indicate in the report the reasons for suspicion of money laundering or terrorist financing, as well as the deadline within which the transaction is to be conducted. (2) The reporting entity shall be obliged to notify the Office of the intention or plan to conduct the suspicious transaction referred to in paragraph 1 of this Article notwithstanding of whether or not the transaction was subsequently conducted. (3) Exceptionally, if the reporting entity was not in position to notify the Office of the suspicious transaction before its execution in instances referred to in paragraphs 1 and 2 of this Article due to the nature of the transaction or due to the fact that the transaction was not executed or for other justified reasons, the reporting entity shall be obliged to report the Office subsequently, and no later than the next business day. The suspicious transaction report is to substantiate the reasons for which the reporting entity was objectively unable to comply with what was prescribed. (4) The reporting entities must supply the Office with the suspicious transaction reports containing data as referred to in Article 16, paragraph 1 of this Law by phone, fax or in other adequate manner before the conducting of a transaction, and after the conducting of transaction in the manner to be prescribed by the Minister of Finance in a rulebook. Should reporting entities fail to supply a written suspicious transaction report, they shall do so subsequently, and no later than next business day. The reporting entity and the Office are to produce a note on a report which was not supplied in writing. (5) In the report referred to in the previous paragraph of this Article, the reporting entities shall undertake to indicate and substantiate the reasons referred to in paragraph 7, items 1, 2, 3 and 4 of this Article which shall point to the existence of reasons for suspicion of money laundering or terrorist financing in relation with a transaction or a customer. (6) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entity shall undertake to supply for the purpose of reporting the Office on suspicious transactions. (7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. the transaction involves funds stemming from illegal activities or is linked with terrorist financing given the ownership, nature, source, location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing;

	3. the transaction is intended to avoid regulations providing for money laundering or terrorist financing prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and terrorist financing in relation with a transaction or a customer. Additionally, deadlines and manner of reporting, and additional data that should be reported, are part of the STR related Bylaws (02/01/2009): RULEBOOK on reporting the Anti-Money Laundering Office on suspicious transactions and persons, and RULEBOOK on the manner and deadlines for reporting the Anti-Money Laundering Office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The AML Law should be amended and provide a clear legal basis for reporting suspicions on terrorist financing*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15/07/08 Croatian Parliament has adopted new AMLFT Law (came into force on 01/01/09). Although the Law refers to "ML and/or FT", Article 1 additionally states "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing." AMLFT Law: **Art. 42:** (7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. the transaction involves funds stemming from illegal activities **or is linked with terrorist financing** given the ownership, nature, source, location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and **terrorist financing**; 3. the transaction is intended to avoid regulations providing for money laundering or **terrorist financing** prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and **terrorist financing** in relation with a transaction or a customer.
Measures taken to implement the recommendations since the adoption of the first progress	See reply above.

report	
Recommendation of the MONEYVAL Report	*Croatian authorities should make it clear that the exemptions provided by the AML By-law concerning the reporting and identification obligations of the reporting institutions do not apply when there is a suspicion of terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. There are no exemptions from identification. There is possibility of simplified CDD for legal persons but not if there is suspicion in ML or TF. AMLFT Law: **Sub-section 2:** SIMPLIFIED CUSTOMER DUE DILIGENCE **General Provisions - Article 35** (1) By way of derogation from the provisions contained in Article 8, paragraph 1 of this Law, the reporting entities may at establishing the business relationship and at conducting transactions referred to in Article 9, paragraph 1, items 1 and 2 of this Law, **except in instances when there are reasons for suspicion of money laundering or terrorist financing** in relation to a customer or a transaction, conduct a simplified customer due diligence, if the customer is: 1. reporting entity referred to in Article 4, paragraph 2, items 1, 2, 3, 6, 7, 8, 9 and 10 of this Law or other equivalent institutions under the condition that such an institution shall be seated in a member-state or a third country; 2. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers; 3. companies whose securities have been accepted and traded on the stock exchanges or the regulated public market in one or several member-states in line with the provisions in force in the European Union, i.e. companies seated in a third country whose securities have been accepted and traded on the stock exchanges or the regulated public market in a member-country or a third country, under the condition that the third country have the disclosure requirements in effect in line with the legal regulations in the European Union; 4. persons referred to in Article 7, paragraph 5 of this Law for which a negligent money laundering or terrorist financing risk shall exist. (2) By way of derogation from the provisions contained in paragraph 1 of this Article, a reporting entity establishing a correspondent relationship with a bank or other credit institution seated in a third country shall conduct the enhanced customer due diligence in keeping with the provisions contained in Article 30, paragraph 1, item 1 of this Law. **Art. 42**: (7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. the transaction involves funds stemming from illegal activities **or is linked with terrorist financing** given the ownership, nature, source, location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly

	diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and **terrorist financing**; 3. the transaction is intended to avoid regulations providing for money laundering or **terrorist financing** prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and **terrorist financing** in relation with a transaction or a customer.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*More attention should be given to outreach to the non banking financial sector to ensure that they are reporting adequately.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The AMLO and the Financial Inspectorate are in regular contact with the professional associations of the non-financial sector regarding the all issues of implementing new AMLFT Law. Several seminars have been organized and guidelines prepared in November, December 2008 (casinos, auditors, accountants, tax advisors) and further trainings are under preparation, March, April 2009 (lawyers, notaries). Education and guidelines are made not in the way to instigate reporting as such but to raise awareness of importance of the AML/CFT measures and to recognize suspicious transactions as defined in the Law. Feedback and large interest from those sectors have been recorded.
Measures taken to implement the recommendations since the adoption of the first progress report	Several seminars have been organized during the 2009, 2010 and 2011 as an outreach to the non banking financial sector to ensure that they are reporting adequately. In 2009 AMLO and HANFA with Croatian Chamber of Economy (CCE) organised Seminar on novelties in the area of anti-money laundering and counter-terrorist financing – leasing companies, factoring companies, pension companies, agents and brokers in life insurance, Workshop under the title "Draft guidelines for anti-money laundering and counter-terrorist financing" for reporting entities supervised by HANFA, Training programme on novelties in the area of anti-money laundering and counter-terrorist financing for brokers and investment consultants (licensing), Consultations for investment and pension funds -First topic: Anti-Money Laundering and Counter-Terrorist Financing Act – implementation in practice, Workshop on anti-money laundering – insurance companies. In 2010, AMLO and HANFA organised Seminar on implementation of AMLCFT Law for investment funds management companies. In 2011 AMLO and HANFA organised education for Association for business and intermediation in financial markets and specialist seminar on AMLFT for insurance companies.
Recommendation of the MONEYVAL Report	*The AML Law should provide for attempted suspicious transactions to be reported.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies providing reporting obligation of attempted suspicious transactions. AMLFT Law: **Article 42** (1) The reporting entities shall be obliged to refrain from the conducting of a

	transaction for which the reporting entity shall know or suspect to be connected with money laundering, i.e. terrorist financing. The reporting entity shall be obliged to notify the Office on such a transaction without any undue delay before the transaction execution, and to indicate in the report the reasons for suspicion of money laundering or terrorist financing, as well as the deadline within which the transaction is to be conducted. (2) **The reporting entity shall be obliged to notify the Office of the intention or plan to conduct the suspicious transaction** referred to in paragraph 1 of this Article **notwithstanding of whether or not the transaction was subsequently conducted**.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	
Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[8]	
Recommendation of the MONEYVAL Report	*With regard to the small number of reports received from DNFBP, more outreach to this sector, particularly by providing training and guidance is necessary.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In July 2008, the Republic of Croatia enacted new AML/CFT Law. This Law entered into force on January 1st, 2009. According to the AML/CFT Law, Article 4, item (2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be (among the others): 1.3. Organisers of games of chance: f) lottery games, g) casino games, h) betting games, i) slot-machine gaming, j) games of chance on the Internet and via other telecommunications means, i.e. electronic communications; 14. pawnshops; 15. legal and natural persons performing business in relation to the activities listed hereunder: j)trusts or company service providers, k)trading precious metals and gems and products made of them, l)trading artistic items and antiques, m)organising or carrying out auctions, n)real-estate intermediation. 16. legal and natural persons performing matters within the framework of the

[8] i.e. part of Recommendation 16.

	following professional activities: d) lawyers, law firms and notaries public, e) auditing firms and independent auditors, f) natural and legal persons performing accountancy and tax advisory services. It means that the whole DNFBP sector, as well as non-financial business and professions other than DNFBP are reporting entities according to the new AML/CFT Law. Pursuant to the article 49 of the above mentioned Law, reporting entities are obliged to have **regular professional training and development obligation.** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to cater for regular professional improvement and training of all employees involved in the tasks relative to money laundering and terrorist financing prevention and detection as per this Law. (2) Professional improvement and training referred to in paragraph 1 of this Article shall pertain to the familiarization with the provisions of this Law and regulations passed on the basis of the Law, reporting entity's internal enactments, and with international standards stemming from the international money laundering and terrorist financing prevention conventions, with the guidelines and the list of suspicious transactions detection indicators, and with other assignments prescribed by this Law. (3) No later than before the expiration of the current year, the reporting entity shall undertake to produce the annual professional improvement and training program pertinent to the money laundering and terrorist financing prevention and detection field for the next calendar year. Pursuant to the Article 57 of the AML/CFT Law, the Office shall be competent to perform following activities for the purpose of money laundering and terrorist financing prevention: Para 2, Item 3; "jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issuing guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law" In July 2008, the Republic of Croatia has issued a new act, namely The Financial Inspectorate Act and in this way, the Financial Inspectorate of the Ministry of Finance has been established. The Financial Inspectorate (FI) is not completely new body, but successor of previous Foreign Exchange Inspectorate of the Ministry of Finance. FI (according to its scope of competence) may supervise part of the financial sector (together with other supervisory bodies) and it is primary supervisor of the AML/CFT compliance within the DNFBP sector (except for reporting entities set forth in Article 4, Para 2, Item 13 namely; Organizers of games of chance: lottery games, casino games, betting games, slot-machine gaming, games of chance on the Internet and via other telecommunications means, i.e. electronic communications which are supervised by the Tax Administration of the Croatian Ministry of Finance***)*** Besides, the FI is in charge of issuing guidance for DNFBP sector as well as for organising appropriate AML/CFT training for this sector together with the FIU. Article 57, Para 2, item 4: the Office shall "take part in professional training of employees from the reporting entities, government bodies and legal persons with public authorities and Article 4, item 13 of the Financial Inspectorate Act; "FI shall participate in the advanced training of the employees of the subjects of supervision engaged in the prevention and discovery of money laundering and the financing of

	terrorism". On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. New provisions are clear and general STR system embraced in one place. AMLFT Law: **Obligation concerning the production of a list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist** **Article 41** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to produce a list of indicators for the detection of suspicious transactions and customers in relation with which reasons for suspicion of money laundering or terrorist financing shall exist. (2) During the course of production of the list of indicators referred to in the previous paragraph of this Article, the reporting entities shall first of all take account of the specific features to their respective operations and the characteristics of a suspicious transaction referred to in Article 42, paragraph 7 of this Law. (3) During the course of determining the reasons for suspicion of money laundering or terrorist financing and other circumstances thereof, the reporting entities shall be obliged to use the list of indicators referred to in paragraph 1 of this Article as basic guidelines for determining the reasons for suspicion of money laundering and terrorist financing. (4) The list of indicators referred to in paragraph 1 of this Article shall be an integral part of the reporting entity's internal enactments, and the reporting entities shall be obliged to upgrade and adapt the list in accordance with the money laundering trends and typologies known to them, as well as with circumstances stemming from the operations of the given reporting entity. (5) The Office, the Financial Inspectorate, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervision Agency, the Croatian Chamber of Notaries Public, the Croatian Bar Association, the Croatian Tax Advisors Chamber, and associations and societies whose members shall be obliged to observe this Law shall cooperate with the reporting entities for the purpose of producing the list of indicators referred to in paragraph 1 of this Article. (6) The Minister of Finance may issue a special rulebook to prescribe mandatory inclusion of individual indicators into the list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist. **Requirement and Deadlines for Reporting on Suspicious Transactions and Persons** **Article 42** (1) The reporting entities shall be obliged to refrain from the conducting of a transaction for which the reporting entity shall know or suspect to be connected with money laundering, i.e. terrorist financing. The reporting entity shall be obliged to notify the Office on such a transaction without any undue delay before the transaction execution, and to indicate in the report the reasons for suspicion of money laundering or terrorist financing, as well as the deadline within which the transaction is to be conducted.

	(2) The reporting entity shall be obliged to notify the Office of the intention or plan to conduct the suspicious transaction referred to in paragraph 1 of this Article notwithstanding of whether or not the transaction was subsequently conducted. (3) Exceptionally, if the reporting entity was not in position to notify the Office of the suspicious transaction before its execution in instances referred to in paragraphs 1 and 2 of this Article due to the nature of the transaction or due to the fact that the transaction was not executed or for other justified reasons, the reporting entity shall be obliged to report the Office subsequently, and no later than the next business day. The suspicious transaction report is to substantiate the reasons for which the reporting entity was objectively unable to comply with what was prescribed. (4) The reporting entities must supply the Office with the suspicious transaction reports containing data as referred to in Article 16, paragraph 1 of this Law by phone, fax or in other adequate manner before the conducting of a transaction, and after the conducting of transaction in the manner to be prescribed by the Minister of Finance in a rulebook. Should reporting entities fail to supply a written suspicious transaction report, they shall do so subsequently, and no later than next business day. The reporting entity and the Office are to produce a note on a report which was not supplied in writing. (5) In the report referred to in the previous paragraph of this Article, the reporting entities shall undertake to indicate and substantiate the reasons referred to in paragraph 7, items 1, 2, 3 and 4 of this Article which shall point to the existence of reasons for suspicion of money laundering or terrorist financing in relation with a transaction or a customer. (6) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entity shall undertake to supply for the purpose of reporting the Office on suspicious transactions. (7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 5. the transaction involves funds stemming from illegal activities or is linked with terrorist financing given the ownership, nature, source, location or control of such funds; 6. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing; 7. the transaction is intended to avoid regulations providing for money laundering or terrorist financing prevention measures; 8. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and terrorist financing in relation with a transaction or a customer. In 2008, FI has prepared guidance for auditors, accountants and tax advisors. The Guidance have been distributed to the industry and published on the website of the Ministry of Finance. Besides, in December 2008, educational program has been organized for this targeted part of the DNFBP sector. Guidance for lawyers, law firms and public notaries are under preparation and are to be published in the first half of the year 2009. Furthermore, AML/CFT education and training is planed for this targeted group of obliged persons within the first half of the year 2009. Except above mentioned, it is important to mention that the Government of the Republic of

	Croatia, in January 2008 issued an Action plan by which were specified activities that have to be taken and designated bodies in charge for the fulfillment and undertaking of these specific activities. According to the Action plan, FI is obliged to prepare AML/CFT Guidance for obliged entities from its scope of competence and to organize training for targeted groups of reporting entities which are subject of FI supervision. In order to additionally stress the issue of specific DNFBPs in regard to the STR obligations, there is special STR related By-law for this sector: *"RULEBOOK on the manner and deadlines for reporting the Anti-Money Laundering Office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services".*
Measures taken to implement the recommendations since the adoption of the first progress report	FI has prepared and published 2008 Guidance for auditors, accountants and tax advisors, and in 2009. Guidance for lawyers, law firms and notaries public (both published on the Ministry of Finance website). Besides, educations were organised in 2009 and 2010 with lawyers, law firms and notaries public and in 2010 with real estate agents. In April 2009, FI started with the IMF a technical assistance project which aims at providing general guidance for all the sectors under FI supervision and to prepare Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures. The project is finalised and the Supervisory Manual is one of the results of that project. The IMF provided training for inspectors of the FI on usage of the mentioned Supervisory Manual. Training took place in February 2011 and Supervisory Manual is in use after that. Purpose of the Supervisory Manual is to standardise methods and techniques used in supervision. General guidelines which are developed within the IMF technical assistance project are in the last phase of preparation and will cover all the sectors supervised by the FI. Also, within the technical assistance project provided by the IMF, FI held meetings with all the sectors under its supervisory jurisdictions (DNFBP, foreign exchange offices, and consumer's credit providers). Technical assistance project also resulted with the timeline for the next 3 years which foresees dynamic of the activities that FI has to conduct in terms of improving AML/CFT system (timeline consists of the terms for sending questioners to the certain sector, for updating risk matrix etc.)
Recommendation of the MONEYVAL Report	*The AML Law should expand the requirement to submit an STR when there is a suspicion that funds are the proceeds of criminal activity generally and when funds may be related to terrorism.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. AMLFT Law: **Article 42, Para. 7**: The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. **the transaction involves funds stemming from illegal activities or is linked with terrorist financing given** the ownership, nature, source,

	location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing; 3. the transaction is intended to avoid regulations providing for money laundering or terrorist financing prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and terrorist financing in relation with a transaction or a customer.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The AMLD should communicate again to the DNFBP that there is a reporting obligation when there is a suspicion of money laundering, even when the transaction is below the 200 000 Kuna threshold.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Pursuant to the Article 3, of the AML/CFT Law, item 20, "a suspicious transaction shall be any transaction for which the reporting entity and/or a competent body shall deem that there shall be reasons for suspicion of money laundering or terrorist financing in relation to the transaction or a person conducting the transaction, i.e. a transaction suspected to involve resources from illegal activities". **Requirement and Deadlines for Reporting on Suspicious Transactions and Persons, Article 42 of the AML/CFT Law:** (1) The reporting entities shall be obliged to refrain from the conducting of a transaction for which the reporting entity shall know or suspect to be connected with money laundering, i.e. terrorist financing. The reporting entity shall be obliged to notify the Office on such a transaction without any undue delay before the transaction execution, and to indicate in the report the reasons for suspicion of money laundering or terrorist financing, as well as the deadline within which the transaction is to be conducted. (2) The reporting entity shall be obliged to notify the Office of the intention or plan to conduct the suspicious transaction referred to in paragraph 1 of this Article notwithstanding of whether or not the transaction was subsequently conducted. (3) Exceptionally, if the reporting entity was not in position to notify the Office of the suspicious transaction before its execution in instances referred to in paragraphs 1 and 2 of this Article due to the nature of the transaction or due to the fact that the transaction was not executed or for other justified reasons, the reporting entity shall be obliged to report the Office subsequently, and no later than the next business day. The suspicious transaction report is to substantiate the reasons for which the reporting entity was objectively unable to comply with what was prescribed. (4) The reporting entities must supply the Office with the suspicious transaction reports containing data as referred to in Article 16, paragraph 1 of this Law by phone, fax or in other adequate manner before the conducting of a transaction, and after the conducting of transaction in the manner to be prescribed by the Minister of Finance in a rulebook. Should reporting entities fail to supply a written suspicious transaction report, they shall do so subsequently, and no later than next business day. The reporting entity and the Office are to produce a note on a report which was

	not supplied in writing. (5) In the report referred to in the previous paragraph of this Article, the reporting entities shall undertake to indicate and substantiate the reasons referred to in paragraph 7, items 1, 2, 3 and 4 of this Article which shall point to the existence of reasons for suspicion of money laundering or terrorist financing in relation with a transaction or a customer. (6) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entity shall undertake to supply for the purpose of reporting the Office on suspicious transactions. (7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 9. the transaction involves funds stemming from illegal activities or is linked with terrorist financing given the ownership, nature, source, location or control of such funds; 10. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing; 11. the transaction is intended to avoid regulations providing for money laundering or terrorist financing prevention measures; 12. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and terrorist financing in relation with a transaction or a customer. The AMLO and the Financial Inspectorate are in regular contact with the professional associations of the non-financial sector regarding the all issues of implementing new AMLFT Law. Several seminars have been organized and guidelines prepared in November, December 2008 (casinos, auditors, accountants, tax advisors) and further trainings are under preparation, March, April 2009 (lawyers, notaries). Education and guidelines are made not in the way to instigate reporting as such but to raise awareness of importance of the AML/CFT measures and to recognize suspicious transactions as defined in the Law. Feedback and large interest from those sectors have been recorded. In order to additionally stress the issue of specific DNFBPs in regard to the STR obligations, there is special STR related By-law for this sector: "RULEBOOK on the manner and deadlines for reporting the Anti-Money Laundering Office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services". The Financial Inspectorate (FI) has introduced the same provisions of the AMLFT (mentioned above) Law into the Guidance for auditors, accountants and tax advisors as well as into the Guidance for lawyers, law firms and notaries (which are under preparation) and thereby, it was repeatedly communicated to the mentioned obliged persons from the DNFBP sector. Also, the same was communicated to the industry in the course of training that was organized (for auditors, accountants and tax advisors) and will be communicated to other DNFBP´s during the planed education that will be held during the 2009. In order to additionally stress the issue of specific DNFBPs in regard to the STR

	obligations, there is special STR related By-law for this sector: "RULEBOOK on the manner and deadlines for reporting the Anti-Money Laundering Office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services".
Measures taken to implement the recommendations since the adoption of the first progress report	In 2010 AMLO, Financial inspectorate and professional associations organised: Seminar on role of lawyers and law firms as reporting entities concerning the AMLFT Law (with Croatian Bar Association), TAIEX Seminar on the Responsibility of Lawyers and Notaries Public in Recognizing and Reporting Suspicious Transactions (with Croatian Bar Association and Croatian Chamber of Notaries Public), Seminar on implementation of AMLCFT Law for accountants, Education for auditors on the International Conference on AML/CFT, Seminar on AML/CFT Law and its implications on auditors' work and education for real estate agents sub-section for real estate of CCE. Also, in November 2009 Financial Inspectorate issued Guidelines for the implementation of the AMLFT Law for lawyers and notaries public.
Recommendation of the MONEYVAL Report	*The exceptions for lawyers and notaries to report suspicious transactions because of legal professional privilege/secrecy should be brought in accordance with the circumstances as described by the Interpretative Note to Recommendation 16.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies making exceptions for lawyers and notaries to report suspicious transactions because of legal professional privilege/secrecy in accordance with the circumstances as described by the Interpretative Note to Recommendation 16. CHAPTER III DUTIES OF LAWYERS, LAW FIRMS AND NOTARIES PUBLIC, AND AUDITING FIRMS AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS INVOLVED IN THE PERFORMANCE OF ACCOUNTING SERVICES AND TAX ADVISORY SERVICES **General Provisions** **Article 51** During the performance of matters from their respective scopes of competence as defined in other laws, lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services (hereinafter referred to as the persons performing professional activities) shall be obliged to carry out money laundering and terrorist financing prevention and detection measures and to observe the provisions of this Law providing for duties and obligations of other reporting entities, unless set forth otherwise in this Chapter. **Tasks and Duties of Lawyers, Law Firms and Notaries Public** **Article 52** By way of derogation from the provisions contained in **Article 51** of this Law, lawyers, law firms or notaries public shall observe the provisions of this Law only in instances when: 1. assisting in planning or conducting transactions on behalf of a customer in relation with: a) buying or selling real-estate or stakes, i.e. shares in a company;

b) management of cash funds, financial instruments or other customer-owned property;
c) opening or managing bank accounts, savings deposits or financial instruments trading accounts;
d) collecting funds necessary for the establishment, operation or management of a company;
e) establishment, operation or management of an institution, a fund, a company or another legally defined organisational form;

2. carrying out real-estate related financial transaction or transactions on behalf and for the account of a customer.

Obligation of the persons involved in the performance of professional activities to report the Office on transactions and persons in relation to which reasons for suspicion of money laundering and terrorist financing shall exist

Article 54

(1) Should a lawyer, a law firm and a notary public, as well as an auditing firm and an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services establish during the performance of matters referred to in Article 52 of this Law that reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or certain person, they shall undertake to notify the Office thereof without any undue delay pursuant to with the provisions contained in Article 42 of this Law.

(2) **In all instances when the customer seeks an advice from persons involved in the performance of professional activities on money laundering or terrorist financing, the persons involved in the performance of professional activities shall undertake to immediately notify the Office thereof, and no later than within three business days from the date the customer sought for such an advice.**

(3) At reporting the Office on suspicious transactions, the persons involved in the performance of professional activities shall furnish the Office with information referred to in Article 16, paragraph 1 of this Law in the manner to be prescribed by the Minister of Finance in a rulebook.

Exceptions for persons involved in the performance of professional activities

Article 55

(1) **The provisions contained in Article 54, paragraphs 1 of this Law shall not apply to the persons involved in the performance of professional activities in respect of information they receive from or obtain on a customer during the course of establishing the legal position of the customer or during the representation of the customer in relation with a court proceeding which shall include advice on proposing or avoiding court proceeding, whether such information is received or obtained before, during or after the completion of such court proceedings.**

(2) In the instance covered in paragraph 1 of this Article, the persons involved in the performance of professional activities shall not be obliged to supply data, information and documentation on the basis of the Office's request referred to in Article 59 of this Law. In such instances, they shall undertake to proceed without any undue delay and no later than within fifteen days from the receipt of the request supply the Office with a substantiated written explanation of reasons for which they did not comply with the Office's request.

(3) By way of derogation from the obligations prescribed in this Law, the persons

	involved in the performance of professional activities shall not be obliged: 1. to report the Office on cash transactions referred to in Article 40, paragraph 1 of this Law, except in instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a customer; 2. to appoint authorised persons and authorised person's deputy; 3. to carry out internal audit over the performance of money laundering and terrorist financing related tasks.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*An autonomous offence of terrorist financing should be introduced which explicitly addresses all the essential criteria in SR.II and requirements of the Interpretative Note to SR.II*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Law on the Amendments to the Criminal Code (entered into force on January 1, 2009) introduce an autonomous offence „Terrorism" at Article 169. Financing of terrorism is criminalised as „Planning criminal offences against values protected by international law" at Article 187.a. Pursuant to Article 187.a, punishment shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the certain criminal offence (including terrorism from Article 169.), irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence and irrespective of whether the act has been attempted **Law on the Amendments to the Criminal Code („OG" 152/08):** **Article 12** *Title above Article 169 is amended to read: "Terrorism."* *Article 169 is amended and reads:* *(1) Whoever, for the purpose of causing major fear among the population, for the purpose of forcing the Republic of Croatia, foreign states or international organisations to do or not to do something, for the purpose of causing suffering, or for the purpose of seriously jeopardising or destroying the fundamental constitutional, political or social values, the constitutional structure of state authority and the economic units of the Republic of Croatia, of a foreign state or an international organisation, commits one of the following acts: a) attacking a person's life, physical integrity or freedom; b)*

	kidnapping or taking of hostages; *c) destruction to state or public facilities, a transport system, infrastructure, including IT systems, fixed platforms located on the continental shelf, a public place or private property likely to endanger human life or cause major economic loss;* *d) hijacking of aircraft, ships or other means of public transport or transport of goods for which is likely it can jeopardise human lives* *e) manufacture, possession, acquisition, transport, supply or use of weapons, explosives, nuclear or radioactive material or devices, nuclear, biological or chemical weapons;* *f) research and development of nuclear, biological or chemical weapons;* *g) releasing dangerous substances, or causing fires, explosions or floods or undertaking other generally perilous acts which may endanger people's lives;* *h) disrupting or interrupting the supply of water, electricity or other fundamental natural resources whose effect may endanger people's lives shall be punished by imprisonment for not less than five years.* *(2) Whoever threatens to commit the criminal offence referred to in paragraph 1 of this Article shall be punished by imprisonment for one to five years.* *(3) If the perpetrator, while committing the criminal offence referred to in paragraph 1 of this Article, causes the death of one or more persons with intent,* *he shall be punished by imprisonment for not less than ten years or by long-term imprisonment.* *(4) If, by the criminal offence referred to in paragraph 1 of this Article, the death of one or more persons or large-scale destruction was caused, the perpetrator shall be punished by imprisonment for not less than ten years."* **Article 17** *Article 187a, paragraph 2 is amended to read:* *"(2) The punishment referred to in paragraph 1 of this Article shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article."* *Following paragraph 2, paragraphs 3 and 4 are added and read:* *(3) The perpetrator of the criminal offence referred to in paragraph 2 of this Article shall be punished irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article and irrespective of whether the act has been attempted.* *(4) The funds referred to in paragraph 2 of this Article shall be forfeited.*
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above. For further clarification, we can state that according to the Article 187a of Croatian Criminal Code (Official Gazette No. 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06., 110/07 and 152/08) the punishment referred to in paragraph 1 of this Article shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article. Criminal offence from the paragraph 1 of this Article can be committed by the individual terrorist or terrorist organisation, so we can conclude that TF offences extend to any person who willfully provides or collects funds by any means, directly or indirectly with the unlawful intention that they should be used or in the knowledge that they are to be used in full or in part (a) by a terrorist organisation or (b) by an individual terrorist. Also, according to the paragraph 3 of the Article 187a the perpetrator of the criminal

	offence referred to in paragraph 2 of this Article shall be punished irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article and irrespective of whether the act has been attempted. This provision covers situation when individual terrorist or terrorist organisation did not use those funds for the specific terrorist act, but for other purposes related to the individual terrorist or terrorist organisation. Paragraph 1 of this Article, among other situations, prescribes criminalisation of any other action which creates the conditions for the direct perpetration of criminal offences referred to in Articles 156 through 160, Articles 169 through 172, and Articles 179 and 181 of this Code. Creating those conditions can also cover incrimination of funding sources for legal use by individual terrorist or terrorist organisation. Some of the criminal offences referred to in Article 187a, paragraph 1 are terrorism related offences such as: – Terrorism – Endangering the Safety of Internationally Protected Persons – Taking of Hostages – Abuse of nuclear or radioactive material – Hijacking an Aircraft or a Ship – Endangering the Safety of International Air Traffic and Maritime Navigation. **Terrorism** **Article 169** (1) Whoever, for the purpose of causing major fear among the population, for the purpose of forcing the Republic of Croatia, foreign states or international organisations to do or not to do something, for the purpose of causing suffering, or for the purpose of seriously jeopardizing or destroying the fundamental constitutional, political or social values, the constitutional structure of state authority and the economic units of the Republic of Croatia, of a foreign state or an international organisation, commits one of the following acts: a) attack on a person's life, physical integrity or freedom; b) kidnapping or the taking of hostages; c) destruction of state or public facilities, a transport system, infrastructure, including IT systems, fixed platforms located on the continental shelf, a public place or private property likely to endanger human life or cause major economic loss; d) hijacking of aircraft, ships or other means of public transport or transport of goods which is likely to jeopardise human lives e) manufacture, possession, acquisition, transport, supply or use of weapons, explosives, nuclear or radioactive material or devices, nuclear, biological or chemical weapons; f) research and development of nuclear, biological or chemical weapons; g) release of dangerous substances, or causing of fires, explosions or floods or the undertaking of other generally perilous acts which may endanger people's lives; h) disruption or interruption of the supply of water, electricity or other basic natural resources whose effect may endanger people's lives shall be punished by imprisonment for not less than five years. (2) Whoever threatens to commit a criminal offence referred to in paragraph 1 of this Article shall be punished by imprisonment for one to five years. (3) If the perpetrator, while committing a criminal offence referred to in paragraph 1 of this Article, causes the death of one or more persons with intent, shall be punished by imprisonment for not less than ten years or by long-term imprisonment.

	(4) If, through a criminal offence referred to in paragraph 1 of this Article, the death of one or more persons or large-scale destruction is caused, the perpetrator shall be punished by imprisonment for not less than ten years. **Public incitement to terrorism** **Article 169a** (1) Whoever, for the purpose of committing the criminal offence referred to in Article 169 of this Code, publicly presents or spreads ideas by which terrorism is directly or indirectly incited and thus causes the danger that this criminal offence may be committed, shall be punished by imprisonment for one to ten years. (2) To instigate criminal proceedings concerning the criminal offence referred to in this Article, the approval of the State Attorney General of the Republic of Croatia is required. **Recruitment and training for terrorism** **Article 169b** (1) Whoever, for the purpose of committing the criminal offence referred to in Article 169 of this Code, solicits another person to commit or participate in the commission of the criminal offence of terrorism or to join a group of people or a criminal organisation for the purpose of contributing to the commission of this criminal offence by the group or criminal organisation, shall be punished by imprisonment for one to ten years. (2) The punishment referred to in paragraph 1 of this Article shall be imposed on whoever, with the purpose of committing the criminal offence referred to in Article 169 of this Code, provides instructions in the making or use of explosive devices, firearms or other weapons or harmful or dangerous substances or trains another person in applying methods and techniques for the commission, or participation in the commission, of this criminal offence. (3) To instigate criminal proceedings concerning the criminal offence referred to in this Article, the approval of the State Attorney General of the Republic of Croatia is required. **Endangering the Safety of Internationally Protected Persons** **Article 170** (1) Whoever kidnaps an internationally protected person, or commits some other act of violence against such a person or attacks his official premises, private accommodation or his means of transport shall be punished by imprisonment for not less than one year. (2) If the perpetrator, in the course of the perpetration of the criminal offense referred to in paragraph 1 of this Article, intentionally kills one or more persons, he shall be punished by imprisonment for not less than ten years or by long-term imprisonment. (3) If, by the criminal offense referred to in paragraph 1 of this Article, the death of one or more persons is caused, the perpetrator shall be punished by imprisonment for not less than five years. (4) Whoever endangers the safety of an internationally protected person by a serious threat to attack him, members of his family, his official premises, private accommodation or his means of transport shall be punished by imprisonment for one to five years. **Taking of Hostages** **Article 171** (1) Whoever kidnaps, seizes or detains and threatens to kill, to injure or to continue to detain another person in order to compel a certain state or an international organization to do or abstain from doing any act as an explicit or implicit condition

	for the release of a hostage shall be punished by imprisonment for not less than one year. (2) If the perpetrator, in the course of the perpetration of the criminal offense referred to in paragraph 1 of this Article, intentionally kills a hostage, he shall be punished by imprisonment for not less than ten years or by long-term imprisonment. (3) If, by the criminal offense referred to in paragraph 1 of this Article, the death of the hostage is caused, the perpetrator shall be punished by imprisonment for not less than five years. **Abuse of nuclear or radioactive material** **Article 172** (1) Whoever without authorisation makes, acquires, possesses, uses, transports, accommodates and disposes of nuclear or radioactive material, or gives it to another person or enables another person to acquire it, shall be punished by imprisonment for one to three years. (2) Whoever, by the acts referred to in paragraph 1 of this Article, endangers human lives and property to a greater extent, shall be punished by imprisonment for six months to five years. (3) Whoever, by threatening to use nuclear or radioactive material or a device, endangers people's safety, shall be punished by imprisonment for three months to three years. (4) The punishment referred to in paragraph 2 of this Article shall be imposed on whoever uses or damages a nuclear facility in a manner which causes the release, or the risk of release, of radioactive material. (5) Whoever, by force or threat to use force, unlawfully demands the surrender of nuclear or radioactive material or a device or a nuclear facility, shall be punished by imprisonment for six months to five years. (6) Whoever commits the criminal offence referred to in paragraph 2 of this Article out of negligence, shall be punished by imprisonment for three months to three years. (7) If, through the criminal offence referred to in paragraphs 1, 4 and 5 of this Article, the death of one or more persons or extensive damage to property are caused, the perpetrator shall be punished by imprisonment for no less than three years. **Hijacking an Aircraft or a Ship** **Article 179** (1) Whoever, by force or serious threat to use force, takes over the control over an aircraft in flight or over a ship or a vessel shall be punished by imprisonment for not less than three years. (2) If the perpetrator, in the course of the perpetration of the criminal offense referred to in paragraph 1 of this Article, intentionally kills one or more persons, he shall be punished by imprisonment for not less than ten years or by long-term imprisonment. (3) If, by the criminal offense referred to in paragraph 1 of this Article, the death of one or more persons or the destruction of an aircraft, a ship or a vessel is caused, or some other extensive pecuniary damage is caused, the perpetrator shall be punished by imprisonment for not less than five years. **Endangering the Safety of International Air Traffic and Maritime Navigation** **Article 181** (1) Whoever, without an aim to commit the hijacking of an aircraft (Article 179), destroys or damages air navigation facilities or causes some other damage to the

	aircraft, places or carries into the aircraft an explosive or other device or a substance capable of destroying or damaging the aircraft, gives false information regarding the flight of the aircraft, performs violence against the aircraft crew members or commits some other act of violence, endangering thereby the safety of the flight, shall be punished by imprisonment for one to ten years. (2) The same punishment as referred to in paragraph 1 of this Article shall be inflicted on whoever, with an aim to interrupt operations at an airport and endangering the safety of air traffic, performs violence against a person employed at an international airport or seriously damages or destroys airport facilities or damages an aircraft not in use. (3) The same punishment as referred to in paragraph 1 of this Article shall be inflicted on whoever, without aiming to commit the hijacking of an aircraft or a ship (Article 179) or to commit a criminal offense of piracy on the sea or in the air (Article 180) by destroying or damaging the navigational facilities or by causing some other damage to a ship or a vessel, by placing or bringing onto the ship or a vessel explosives or other devices or substances capable of destroying or damaging the ship or the vessel, or who, by giving false information about the voyage of the ship or the condition of the vessel, by an act of violence against the crew members of the ship or vessel, or by any other act of violence, endangers the safety of the voyage of the ship or the safety of the vessel. (4) If, by the criminal offense referred to in paragraphs 1, 2 and 3 of this Article, the death of one or more persons or the destruction or extensive damage to an aircraft, ship or vessel is caused or any other large-scale material damage is caused, the perpetrator shall be punished by imprisonment for not less than three years.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding Financial Institutions	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The AML Law should be amended and provide a clear legal basis for reporting suspicions on terrorist financing*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies making clear legal basis for reporting suspicions on terrorist financing. AMLFT Law: **Article 42, Para. 7:** The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. the transaction involves funds stemming from illegal activities or is linked

	with **terrorist financing** given the ownership, nature, source, location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and **terrorist financing**; 3. the transaction is intended to avoid regulations providing for money laundering or **terrorist financing** prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and **terrorist financing** in relation with a transaction or a customer.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatian authorities should make it clear that the exemptions provided by the AML By-law concerning the reporting and identification obligations of the reporting institutions do not apply when there is a suspicion of terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	There are no exemptions from identification. There is possibility of simplified CDD for legal persons but not if there is suspicion in ML or TF. AMLFT Law: **Sub-section 2:** SIMPLIFIED CUSTOMER DUE DILIGENCE **General Provisions** **Article 35** (1) By way of derogation from the provisions contained in Article 8, paragraph 1 of this Law, the reporting entities may at establishing the business relationship and at conducting transactions referred to in Article 9, paragraph 1, items 1 and 2 of this Law, **except in instances when there are reasons for suspicion of money laundering or terrorist financing** in relation to a customer or a transaction, conduct a simplified customer due diligence, if the customer is: 1. reporting entity referred to in Article 4, paragraph 2, items 1, 2, 3, 6, 7, 8, 9 and 10 of this Law or other equivalent institutions under the condition that such an institution shall be seated in a member-state or a third country; 2. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers; 3. companies whose securities have been accepted and traded on the stock exchanges or the regulated public market in one or several member-states in line with the provisions in force in the European Union, i.e. companies seated in a third country whose securities have been accepted and traded on the stock exchanges or the regulated public market in a member-country or a third country, under the condition that the third country have the disclosure requirements in effect in line with the legal regulations in the European Union; 4. persons referred to in Article 7, paragraph 5 of this Law for which a negligent money laundering or terrorist financing risk shall exist. (2) By way of derogation from the provisions contained in paragraph 1 of this Article, a reporting entity establishing a correspondent relationship with a bank or other credit institution seated in a third country shall conduct the enhanced customer

	due diligence in keeping with the provisions contained in Article 30, paragraph 1, item 1 of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	
Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*(terrorism financing reporting)*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The AMLO and the Financial Inspectorate are in regular contact with the professional associations of the non-financial sector regarding the all issues of implementing new AMLFT Law. Several seminars have been organized and guidelines prepared in November, December 2008 (casinos, auditors, accountants, tax advisors) and further trainings are under preparation, March, April 2009 (lawyers, notaries). Education and guidelines are made not in the way to instigate reporting as such but to raise awareness of importance of the AML/CFT measures and to recognize suspicious transactions as defined in the Law. Feedback and large interest from those sectors have been recorded. In order to additionally stress the issue of specific DNFBPs in regard to the STR obligations, there is special STR related By-law for this sector: *"RULEBOOK on the manner and deadlines for reporting the Anti-Money Laundering Office on suspicious transactions and persons and on keeping records by lawyers, law firms, notaries public, auditing firms and independent auditors as well as legal and natural persons involved in the performance of accounting and tax advisory services".* On 15/07/08 Croatian Parliament has adopted new AMLFT Law (came into force on 01/01/09). Although the Law refers to "ML and/or FT", Article 1 additionally states that "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing." AMLFT Law: **Article 42, Para. 7**: The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that: 1. the transaction involves funds stemming from illegal activities or is linked

	with **terrorist financing** given the ownership, nature, source, location or control of such funds; 2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and **terrorist financing**; 3. the transaction is intended to avoid regulations providing for money laundering or **terrorist financing** prevention measures; 4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and **terrorist financing** in relation with a transaction or a customer.
Measures taken to implement the recommendations since the adoption of the first progress report	In 2010 AMLO, Financial inspectorate and professional associations organised: Seminar on role of lawyers and law firms as reporting entities concerning the AMLFT Law (with Croatian Bar Association), TAIEX Seminar on the Responsibility of Lawyers and Notaries Public in Recognizing and Reporting Suspicious Transactions (with Croatian Bar Association and Croatian Chamber of Notaries Public), Seminar on implementation of AMLCFT Law for accountants, Education for auditors on the International Conference on AML/CFT, Seminar on AML/CFT Law and its implications on auditors' work and education for real estate agents sub-section for real estate of CCE. Also, in November 2009 Financial Inspectorate issued Guidelines for the implementation of the AMLFT Law for lawyers and notaries public.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities.

2.3 Other recommendations

In the last report the following FATF recommendations were rated as "partially compliant" (PC) or "non compliant" (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 3 (Confiscation and provisional measures)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatian authorities should satisfy themselves to make the current confiscation regime less complicated and easier to apply.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Law on the Amendments to the Criminal Code (entered into force on January 1, 2009) amended Article 82 („confiscation of the proceeds of crime ") and supplemented Article 89 with para 37 ("definition of the proceeds of crime"), which makes confiscation regime less complicated and easier to apply. **Law on the Amendments to the Criminal Code („OG" 152/08):** **Article 2**

	Article 82 is amended to read: *"(1) No one may keep the proceeds of crime. The proceeds will be taken away by court decision which decides if a criminal offence was conducted.* *(2) If the crime has been committed for which the Department for Suppression of the Corruption and Organized Crime has jurisdiction, presumption is that total property of the perpetrator was gained by criminal offence, unless perpetrator makes probable that it's origin is legal.* *(3) Also, property in paragraph 2 of this article shall be confiscated when it is made probable that property was gained on any legal ground at perpetrator's spouse or common law partner, a lineal relative, collateral relative up to the third degree inclusive and an in-law relative up to the second degree of affinity inclusive, an adoptive parent and an adoptee.* (4) Property from paragraph 2 shall also be confiscated when they are in the possession of a third party on any legal ground, and they were not acquired in good faith. (5) When there is defined impossibility of the confiscation of the property, a court shall order to the person from which the property must be taken to pay equivalent value in money. *(6) An injured party who at the latest within three months following a final decision on the confiscation of objects, takes before the court realization of his rights, has the right of reimbursement within three months of the rendering of the decision establishing his or her right."* *In Article 89, following paragraph 36, paragraph 37 is hereby added, and it read:* *"(37) Proceeds of crime is every increasing of or disabling of the reduction of assets regardless of being material or immaterial, movable or immovable, or whether it is a decree in any form which proves right or interest over assets which is directly or indirectly gained by criminal offence.*
Measures taken to implement the recommendations since the adoption of the first progress report	The rules and principles concerning the confiscation of the proceeds of crime in legal and theoretical terms are implied in Article 82 para. 1 of the Criminal Code that no one shall keep any proceeds of crime (pecuniary gain, pecuniary benefit) acquired as a result of a criminal offence and that proceeds shall be confiscated by court decision which establishing that a criminal offence has been committed. The implementation of that principle is realized in criminal procedure through the institute of seizure of proceeds acquired as a result of criminal offence. For criminal offences which are described in Art. 21 of the Act on the Office for Suppression of Corruption and Organized Crime, as a separate body of the State Attorney's Office (1. corruptive criminal offences, 2. organised crime offences and 3. criminal offences which have an international element) provision of Art. 82 para 2 of the Criminal Code introduces a refutable assumption on illegal origin of total assets of a perpetrator of such criminal offence (extended confiscation regime), where as paragraph 3 of the same article proscribes that such assets shall be seized also from relatives of the perpetrator (spouse, common-low spouse, relatives in vertical line, relatives of a lateral line till third degree inclusive and in-laws till second degree inclusive as well as foster children and adoptive parents) if it is likely that under any legal basis it was transferred to him/her. Paragraph 4 prescribes that such proceeds shall also be confiscated when it's transferred to the third person who has not acquired it in good faith. The Court determines the proceeds acquired as a result of a criminal offence in criminal procedure under ex officio and makes decision on its confiscation. In doing so the Court and State Attorney's office are obliged during the proceedings to collect

	evidence and investigate circumstances important for the confiscation of proceeds. The amount of proceeds is being established on the basis of data that are the result of such investigation, and if it would be connected with great difficulty or significant delay of the proceedings then it shall be determined by discretion of the Court. The Court is obliged to make such decision on the confiscation of proceeds from which will be clear to which case it relates or to which value confiscation. Definition of proceeds of crime (pecuniary gain, pecuniary benefit) is described in Art. 89, para 37 of the Criminal Code (Law on the Amendments of the Criminal Code - Official Gazette of the Republic Croatia 152/08). According to that definition as well as provisions of Art. 82 of the Criminal Code which prescribes seizure of proceeds acquired as a result of criminal offence, proceeds acquired as a result of criminal offence can mean any property derived or obtained, directly or indirectly as a result of criminal offence, whereby property means assets of every kind, regardless whether material or intangible assets, movables or immovable, or legal documents proving the ownership or some right over such ownership. The New State Attorney Act of 2009 requires very active role of a State Attorney in the new system of criminal procedure and thus in determining and active participation in the seizure of proceeds acquired as a result of criminal offence. Very important innovation brings also provision of Art. 33 para 2 of the State Attorney Act which defines a State Attorney as authorized person, obliged to initiate procedure of seizure, and to participate in the execution the enforcement. Provision of the Art.82, para 2, 3 and 4 of the Criminal Code introduced refutable assumption of illegality of all property if his/her criminal offence is brought into connection with acquisition of unlawful proceeds. However this is limited only to those criminal offences described in Art.21 of the Act on the Office for Suppression of Corruption and Organised Crime. Act on the Proceedings for the Confiscation of Pecuniary Gains (proceeds of crime) Resulting from Criminal Offences and Misdemeanours, Official Gazette of the Republic Croatia - 145/2010. On 17.12.2010 the Croatian Parliament made a decision on adoption of the Act, and 24.12.2010 published in the Official Gazette of the Republic Croatia no. 145/2010, entered into force on the 8th day of the day of publishment in the Official Gazette. The main characteristics of the Act on the procedure for confiscation of pecuniary gain (proceeds of crime) acquired as a result of criminal offence and misdemeanour are: • The Act in much more detail than provisions of the Chapter XXVIII of the Act on Criminal Procedure governs the procedure of determining proceeds acquired as a result of criminal offence, procedure for ensuring the seizure of proceeds, distress procedure of the court decision on the seizure of proceeds, handling of seized property and property covered with temporary security measure, rights of damaged persons as well as rights of third party. • Proceeds acquired as a result of criminal offence according to the law the court determines by a verdict. • In a verdict that finds a defendant guilty for criminal offence the court determines which objects and rights present proceeds acquired as a result of criminal offence as well as their financial equivalent, and that these objects become property, i.e. assets of the Republic Croatia. • The court orders a defendant or related persons to submit these objects i.e. to transfer the rights or to pay monetary equivalent to the Republic Croatia, and determines that in public registers the right is entered in favour of the Republic Croatia.

	• The procedure of seizure of proceeds according to the law can be carried out before, during or after criminal proceedings, even when criminal proceedings can not be carried out due to the circumstances which preclude criminal prosecution, if it is probable that proceeds acquired as a result of criminal offence is at least 5,000 KN. • The obligation of the all state bodies, banks and other persons is delivery of data to the court. • To ensure the seizure, the prosecutor is authorised to propose before, during and after completion of criminal procedure to ensure the seizure with any measure that achieves the purpose and the Act states several of such measures only as example. • The Central Office for State Property Management manages temporary seized proceeds, submitted objects and transferred rights, as Asset Management Office.
Recommendation of the MONEYVAL Report	*Confiscation of proceeds and instrumentalities of money laundering offences should be mandatory.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Confiscation of proceeds and instrumentalities of money laundering is mandatory according to Article 82 Para 1 of The Law on the Amendments to the Criminal Code („OG“ 152/08) which reads as follows: „No one may keep the proceeds of crime. The proceeds will be taken away by court decision which decides if a criminal offence was conducted". Additionally, Article 279 (Money Laundering) states that *The money, objects and proceeds of laundering shall be forfeited, and the rights shall be pronounced void.*
Measures taken to implement the recommendations since the adoption of the first progress report	Confiscation of proceeds and instrumentalities of money laundering offences or any kind of proceeds acquired as a result of criminal offence is mandatory which can be seen in Art. 82. and Art.279 of the Criminal Code of the Republic Croatia.
Recommendation of the MONEYVAL Report	*The general confiscation regime should cover indirect proceeds not only in specific cases (i.e. the pecuniary equivalent of ill-gotten money, securities or objects).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	According to the definition of the proceeds of crime at Article 89 supplemented with Para 37, indirect proceeds are covered not only in specific, but all cases.
Measures taken to implement the recommendations since the adoption of the first progress report	According to Art. 89 paragraph 37 of the Criminal Code of the Republic Croatia (Official Gazette of the Republic Croatia 152/2008) definition of proceeds is: any increase or prevention of decrease of property regardless whether tangible or intangible, movable or immovable, or whether it is a document in any form which proves the right or interest over the property which was directly or indirectly acquired as a result of criminal offence". Therefore confiscation regime covers not only direct proceeds but also cover indirect proceeds and that applies in absolutely all cases. On 24/12/2010 Croatian Parliament has adopted Act on proceedings for the confiscation of pecuniary benefit resulting from criminal offence and misdemeanour. The Act came into force on 01/01/2011. The Act determines proceeds resulting from criminal offences as each increase or prevention of the reduction of assets resulting from criminal offence (Article 3, para 1, al 1), while

	assets represent property and rights acquired by the perpetrator of a criminal offence and misdemeanor or their related party, and it refers to all property and rights which can be the object of enforcement, especially real estate and movables, claims, business interests, shares, money, precious metals and jewels in the ownership, possession or under the control of the criminal perpetrator or their related party (Article 3, para 1, al 2). If establishing the value of proceeds resulting from criminal offences is linked to disproportionate difficulties or significant procrastination of criminal proceedings, the court may establish the value of the respective benefit at its own discretion (Article 1, para 5).
Recommendation of the MONEYVAL Report	*The specific confiscation regime for money laundering cases should also allow for value confiscation.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	When there is defined impossibility of the confiscation of the property, a court shall order to the person from which the property must be taken to pay equivalent value in money - the specific confiscation regime for money laundering case in particular allows Article 82 para 5 of the Law on the Amendments to the Criminal Code.
Measures taken to implement the recommendations since the adoption of the first progress report	The confiscation of proceeds in appropriate counter value, the so called "value confiscation" according to Art. 82 para 5 of the Criminal Code of the Republic Croatia states: "when the impossibility of a confiscation of proceeds is determined the court shall order a person from who proceeds has to be confiscated to pay equivalent amount of money". The said provision applies to all criminal offences and thus to money laundering offences.
Recommendation of the MONEYVAL Report	*The general value confiscation regime, which is restricted to "money, securities or objects", should cover any other sorts of property, like real estate or property rights. Furthermore, it should allow for confiscation going beyond the pecuniary equivalent of the ill-gotten assets.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Since the proceeds of crime is defined as every increasing of or disabling of the reduction of assets regardless of being material or immaterial, movable or immovable, or whether it is a decree in any form which proves right or interest over assets which is directly or indirectly gained by criminal offence (Article 89 Para 37), the general value confiscation regime is no longer restricted to „money, securities or objects.
Measures taken to implement the recommendations since the adoption of the first progress report	As regards criminal offences with which proceeds have been acquired, the confiscation of the proceeds refers to the property defined in art. 89 para 37 of the Criminal Code of the Republic Croatia (Official Gazette of the Republic Croatia 152/2008) and it is: tangible and intangible property, movable and immovable, or any document in any form which proves the right or interest over the property, directly or indirectly acquired as a result of criminal offence. Furthermore for criminal offences from the competence of the Office for Suppression of Corruption and Organized Crime (USKOK) art. 82 of the Criminal Code allows extended seizure of proceeds, reversed burden of proof and confiscation of proceeds from members of family or common-law partner when it is assumed that their total assets have been acquired as a result of criminal offence. On 24/12/2010 Croatian Parliament has adopted Act on proceedings for the confiscation of proceeds resulting from criminal offence and misdemeanour. The Act came into force on 01/01/2011. The Act determines proceeds resulting from criminal offences as each increase or prevention of the reduction of assets resulting from criminal offence (Article 3, para 1, al 1), while assets represent property and rights acquired by the perpetrator of a criminal offence and misdemeanour or their related party, and it refers to all property and rights which can be the object of

	enforcement, especially real estate and movables, claims, business interests, shares, money, precious metals and jewels in the ownership, possession or under the control of the criminal perpetrator or their related party (Article 3, para 1, al 2). If establishing the value of proceeds resulting from criminal offences is linked to disproportionate difficulties or significant procrastination of criminal proceedings, the court may establish the value of the respective benefit at its own discretion (Article 1, para 5).
Recommendation of the MONEYVAL Report	*The authority to take steps to prevent or void contractual or other actions where the persons involved knew or should have known that as a result of those actions the authorities would be prejudiced in their ability to recover property subject to confiscation (criterion 3.6) is currently only applicable in money laundering cases but should be extended to the entire confiscation regime.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Pursuant to Article 82 Para 3. and Para 4 of The Law on the Amendments to the Criminal Code, property shall be confiscated when it is made probable that property was gained on any legal ground at perpetrator's spouse or common law partner, a relative and an in-law relative, an adoptive parent and an adoptee, and shall also be confiscated when they are in the possession of a third party on any legal ground, and they were not acquired in good faith.
Measures taken to implement the recommendations since the adoption of the first progress report	On 24/12/2010 Croatian Parliament has adopted Act on proceedings for the confiscation of pecuniary benefit resulting from criminal offence and misdemeanour. The Act came into force on 01/01/2011. The Act determines proceeds (pecuniary benefit) resulting from criminal offences as each increase or prevention of the reduction of assets resulting from criminal offence (Article 3, para 1, al 1), while assets represent property and rights acquired by the perpetrator of a criminal offence and misdemeanour or their related party, and it refers to all property and rights which can be the object of enforcement, especially real estate and movables, claims, business interests, shares, money, precious metals and jewels in the ownership, possession or under the control of the criminal perpetrator or their related party (Article 3, para 1, al 2). A related party is defined as a person who encourages and assists in the perpetration of the criminal offence, or is a legal succesor of the perpetrator and participant in the criminal offence, or is an another physical or legal entity to whom have been transferred property or rights representing proceeds and not being in good faith related to such acquisition of the respective property or rights (Article 3, para 1, al 6. a, b, c). According to art. 11 of the Act on Proceedings for the Confiscation of Pecuniary Benefit Resulting from Criminal Offences and Misdemeanours (Official Gazette of the R Croatia 145/2010) to ensure the seizure of proceeds acquired as a result of criminal offence a proponent to insure is authorised to propose insurance by means of any kind of temporary measure for achieving this purpose before and after initiating criminal proceedings, especially: • Ban on disposal of property and to burden property or rights registered on the real estate with registration of ban in land registers, seizure of property and its entrust for keeping and management to Asset Management Office; • To ban the party opposing the insurance to alienate or burden property, by seizing the objects and entrusting them for keeping to Asset Management Office; • By confiscating and depositing cash and securities and handing the over to the Asset Management Office; • By prohibiting the debtor of the opposing party to voluntarily fulfill their obligation towards the opposing party and by prohibiting the opposing party

	to receive the fulfillment of the respective obligation, i.e. to access their claims; • To order a bank to forbid the party opposing the insurance or third party, on the basis of the order of the party opposing the insurance, to pay from the account the amount for which is determined provisional measure; • To ban alienation and burden of stocks, shares, or business shares with registering the ban in the book of shares, stocks or business interests, and if necessary also in the public register, ban on use or disposal with rights on the basis of such stock, shares or business interests, by entrusting stocks, shares or business shares to management of Asset Management Office, and to appoint of a temporary management for the company; • By prohibiting the debtor of the opposing party to submit property, transfer a right or perform another non-monetary action towards the opposing party. These measures are only mentioned as an example, but any other security measure can be determined that achieves a purpose. The enforcement procedure for those measures shall be urgent.
Recommendation of the MONEYVAL Report	*A clearer provision for freezing orders ex parte or without prior notice would be beneficial.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	New Criminal Procedure Law (2008) Art. 261, in regard to the objects that have to be confiscated/forfeited according to the Criminal Code (instrumentalities and proceeds) shall be temporarily seized by court order. Person who do not act accordingly shall be fined up to 7000€ plus imprisoned up to 1 month. In regard to the bank accounts, new Criminal Procedure Law (2008) Art. 266 states that court may order to the legal or natural person to temporarily restrain financial transaction related to criminal offence. Restrained assets shall be placed to the special account. Non acting according to the court order shall be fined up to 140.000€ (legal p.), 30.000€ (natural p.) plus imprisoned up to 1 month. Legal or natural person are not permitted to disclose information on seizure or will be prosecuted for offence related to unauthorised disclosure of secret.
Measures taken to implement the recommendations since the adoption of the first progress report	On 24/12/2010 Croatian Parliament has adopted Act on proceedings for the confiscation of proceeds resulting from criminal offence and misdemeanour. The Act came into force on 01/01/2011. The Act prescribes that in the procedure of insurance by means of a temporary measure (i.e. „freezing“) it shall be presumed that risk exists that the claim of the Republic of Croatia related to the confiscation of proceeds resulting from criminal offences will not be enforceable, or that the enforcement will be made more difficult if the temporary measure is not imposed (Article 12, para 1). The insurance can also be established before the opposing party (i.e. perpetrator of a criminal offence or related party) obtained the opportunity to respond to the proponent's proposal to ensure (Article 12, para 2)
Recommendation of the MONEYVAL Report	*Provisional measures should be taken more regularly.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In the Republic of Croatia is issued the Manual for the financial investigation with guidance for the practitioners (2007) for proposals and issues of the preventive measures for judges, prosecutors an all law enforcement agencies with all necessary instructions and forms. As well, State Attorney Office of the Republic of Croatia issued guidance No O-8/99 from October 4th. 1999. regarding proposals and issues of preventive measures. It means that prosecutors have clear instructions how to act in the cases regarding

	proposing the preventive measures.
Measures taken to implement the recommendations since the adoption of the first progress report	Procedure for securing, temporary seizure and seizure of proceeds is carried out in all cases in which proceeds is acquired. • In 2009 on the basis of art. 82 of the Criminal Code only for criminal offences of organised crime the property valued 27.432.382. KN and 79.610. EURO was confiscated. • For the same criminal offences in period from 1.1. - 15.10.2010 was confiscated a total of 24.613.633. KN, 98.383. EURO and 100 USD. Case: We must mention the procedure which is currently on the Court, and in which, based on the proposal of the Office for Suppression Corruption and Organised Crime, altogether 8.742.385. EUR, 95.550. kuna and 14,500. USD deposited in the banks of Croatia, Bosnia and Herzegovina, Slovenia and Switzerland have been 'frozen'; Furthermore, three apartments and one family house of the minimum value 724.000. EUR, one car of 149.000. EUR and a yacht of 230.832. EUR have also been 'frozen'. The procedure was initiated based on the information provided by the Interpol Office Wiesbaden to the Interpol Office Zagreb. This information stated that one person in the Republic of Croatia hides illegal money gained through criminal offences of drug abuse and that this person possesses considerable property in the Republic of Croatia. The authorities of the Republic of Germany, the Kingdom of Netherlands and the Republic of Croatia have been coordinated, which allowed for the exchange of information during which it was found that the suspect indirectly gained the assets in the value of one luxury villa. The suspect registered this villa into the equity capital of the company that he established for this purpose, after which he increased company's equity capital; After this, he ceded his equity capital for 5,000,000.00 EUR and stored it on the account created in Ljubljana. Data on his total assets have been collected and, based on the request for providing mutual legal assistance based on provisions of Warsaw Convention, the competent authorities of the Republic of Slovenia ordered temporary security measures in Slovenia; These measures have also been ordered in the Republic of Croatia. The offender is accused for drug trafficking and money laundering criminal offences.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 6 (Politically exposed persons)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be required by enforceable means:* • *to determine if the client or the potential client is a PEP;* • *to obtain senior management approval for establishing a business relation with a PEP;* *to conduct higher CDD and enhanced ongoing due diligence on the source of the funds deposited/invested or transferred through the financial institutions by the PEP.*

Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, defining relevant PEP related procedure. **AMLFT Law:** **Foreign Politically Exposed Persons** **Article 32** (1) The reporting entities shall be obliged to apply an adequate procedure to determine whether or not a customer is a foreign politically exposed person. (2) The procedure referred to in paragraph 1 shall be defined through an internal reporting entity's enactment taking account of guidelines given by the competent supervisory body referred to in Article 83 of this Law. (3) A foreign politically exposed person referred to in paragraph 1 of this Article shall be any natural person with permanent address or habitual residence in a foreign country who shall act or had acted during the previous year (or years) at a prominent public function, including their immediate family members, or persons known to be close associates of such persons. (4) Natural persons who shall act or had acted at a prominent public function shall be: a) presidents of countries, prime ministers, ministers and their deputies or assistants; b) elected representatives of legislative bodies; c) judges of supreme, constitutional and other high courts against whose verdicts, save for exceptional cases, legal remedies may not be applied; d) judges of financial courts and members of central bank councils; e) foreign ambassadors, consuls and high ranking officers of armed forces; f) members of management and supervisory boards in government-owned or majority government-owned legal persons. (5) The immediate family members referred to in paragraph 3 of this Article shall be: spouses or common-law partners, parents, siblings, as well as children and their spouses or common-law partners. (6) The close associate referred to in paragraph 3 of this Article shall be any natural person who shall share common profits from property or an established business relationship, or a person with which the person referred to in paragraph 3 of this Article shall have any other close business contacts. (7) Should the customer who shall establish a business relationship or conduct a transaction, i.e. should the customer on whose behalf the business relationship is being established or the transaction conducted be a foreign politically exposed person, the reporting entity shall in addition to the measures referred to in Article 8, paragraph 1 of this Law also take actions listed hereunder within the framework of the **enhanced customer due diligence**: 1. **gather data** on the source of funds and property which are or will be the subject matter of the business relationship or transaction, from documents and other documentation supplied by the customer. Should it be impossible to collect data in the described manner, the reporting entity shall collect data directly from a customer's written statement; 2. an employee of the reporting entity who shall run the procedure of business relationship establishment with a customer who is a foreign politically exposed person shall mandatorily obtain **written consent from the superior** responsible person before establishing such a relationship; 3. after the establishment of the business relationship, the reporting entity shall

	exercise due care in monitoring transactions and other business activities performed by a foreign politically exposed person with the reporting entity.
Measures taken to implement the recommendations since the adoption of the first progress report	**Foreign Politically Exposed Persons** Pursuant to the Item 6.4 of CNB´s guidelines, credit institutions and credit unions may, when determining whether or not a person is a politically exposed person, proceed in one of the following ways: 1. request the information from the customer by means of a written form; 2. collect the information from public sources (information that is publicly available in the media - in the press, on TV and on the Internet); 3. collect information by accessing commercial data bases which include lists of politically exposed persons. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons. FI included into the Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures paragraphs dealing with the PEPs with the assessment criterions which help in making decision whether or not RE conducted appropriate measures related to the PEPs. Criterions are as follows: PEPs determination is conducted and documented in prescribed situations. Reporting entities are required to determine the existence of a PEP and document their determination. Senior management approves business relationship with PEPs. Reporting entities should have procedures for the establishment of business relationships with PEPs including management's role in the approval and on-going risk-based monitoring of PEP relationships. Enhanced due diligence is conducted when the customer is a PEP. Reporting entities are required to implement enhanced due diligence measures when the customer is a PEP. This subject is covered by Chapter IV.2.1. of HANFA's Guidelines.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	FI also included into the draft of the General Guidance for reporting entities paragraphs dealing with the PEPs with the assessment criterions which help in making decision whether or not RE conducted appropriate measures related to the PEPs. Criterions are as follows: PEPs determination is conducted and documented in prescribed situations. Reporting entities are required to determine the existence of a PEP and document their determination.

Recommendation 7 (Correspondent banking)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement all the missing elements of Recommendation 7.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies in regard to correspondent banking. **AMLFT Law:** **Correspondent Relationships with Credit Institutions from Third Countries**

	Article 31 (1) At establishing a correspondent relationship with a bank or other credit institution seated in a third country, the reporting entity shall be obliged to conduct measures referred to in Article 8, paragraph 1 within the framework of enhanced customer due diligence and additionally gather the following data, information and documentation: 1. date of issuance and validity period of license for the performance of banking services, as well as the name and seat of the competent third country license issuing body; 2. description of the implementation of internal procedures relative to money laundering and terrorist financing prevention and detection, notably the procedures of customer identify verification, beneficial owners identification, reporting the competent bodies on suspicious transactions and customers, keeping records, internal audit and other procedures the respective bank, i.e. other credit institution passed in relation with money laundering and terrorist financing prevention and detection; 3. description of the systemic arrangements in the field of money laundering and terrorist financing prevention and detection in effect in the third country in which the bank or other credit institution has its seat or in which it was registered; 4. a written statement confirming that the bank or other credit institution does not operate as a shell bank; 5. a written statement confirming that the bank or other credit institution neither has business relationships with shell banks established nor does it establish relationships or conduct transactions with shell banks; 6. a written statement confirming that the bank or other credit institution falls under the scope of legal supervision in the country of their seat or registration, and that they are obliged to apply legal and other regulations in the field of money laundering and terrorist financing prevention and detection in keeping with the effective laws of the country. (2) A reporting entity's employee involved in establishing correspondent relationships referred to in paragraph 1 of this Article and running the enhanced customer due diligence procedure shall be obliged to obtain a written consent from the superior responsible person of the reporting entity prior to the establishment of the business relationship. (3) The reporting entity shall gather data referred in paragraph 1 of this Article through the examination of public or other available records, i.e. through the examination of documents and business documentation supplied by a bank or other credit institution seated in a third country. (4) The reporting entity shall not be permitted to establish or to extend a correspondent relationship with a bank or other credit institution seated in a third country should: 1. the reporting entity fail to first gather data referred to in paragraph 1, items 1, 2, 4, 5 and 6 of this Article; 2. the employee fail to first obtain written consent from the superior responsible person of the reporting entity for the purposes of establishing a correspondent relationship; 3. the bank or other credit institution seated in a third country be without a money laundering and terrorist financing prevention and detection system in

	place or if the laws of the third country in which the said institutions shall be seated or registered shall not require the institutions to apply legal and other adequate regulations in the field of money laundering and terrorist financing prevention and detection; 4. the bank or other credit institution seated in a third country operate as a shell bank, i.e. if it establishes correspondent or other business relationships and conducts transactions with shell banks.
Measures taken to implement the recommendations since the adoption of the first progress report	**Risk of Business Relationship with other Credit Institution** Pursuant to the Item 6.3 of the CNB´s guidelines, the establishment of a correspondent relationship with a bank or another credit institution with a seat in a third country poses a high risk. In the context of enhanced due diligence, when establishing a correspondent relationship with a bank or other credit institution with a seat in a third country, the institutions should provide the following additional documentation: 1. a written statement that the bank or other credit institution has verified the identity of the customer and that it conducts ongoing due diligence of customers who have direct access to payable through accounts, 2. a written statement that the bank or other credit institution can provide upon request relevant data obtained on the basis of due diligence of customers with direct access to payable through accounts. Assessment of exposure to money laundering and terrorist financing risk is carried out in accordance with the risk criteria and elements from risk matrix given in the CNB´s guidelines. The employee of the institution who establishes a correspondent relationship with a bank or other credit institution with a seat a third country and who performs an enhanced customer due diligence check is obliged to obtain a written approval of the superior responsible person prior to establishing the business relationship. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 8 (New technologies and non face-to-face business)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be required to have policies in place to prevent the misuse of technological developments for AML/CFT purposes, and to have policies in place to address specific risks associated with non-face to face transactions.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Pursuant to Article 34 of the Anti Money Laundering and Terrorist Financing Law (Official Gazette "Narodne novine" No. 87/2008), credit and financial institutions are obliged to pay a special attention to any money laundering and/or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banking, ATM use, tele-banking, etc.) and to put policies in place and take measures

	aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes. For risks attached with a business relationship or transaction with non face to face customers, credit and financial institutions are obliged to have policies and procedures in place and to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures, respecting the measures set forth in Article 33 of this Law. **AMLFT Law:** **New technologies** **Article 34** (1) Credit and financial institutions shall be obliged to pay a special attention to any money laundering and/or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banking, ATM use, tele-banking, etc.) and put policies in place and take measures aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes. (2) Credit and financial institutions shall be obliged to have policies and procedures in place for risks attached with a business relationship or transactions with non face to face customers and to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures, respecting the measures set forth in Article 33 of this Law **Customer's Absence during Identification and Identity Verification** **Article 33** (1) If the customer was not physically present with the reporting entity during the identification and identity verification, in addition to the measures referred to in Article 8, paragraph 1 of this Law, the reporting entity shall be obliged to conduct one or more additional measures referred to in paragraph 2 of this Article within the framework of the enhanced customer due diligence. (2) At customer identification and identity verification as referred to in paragraph 1 of this Article, the reporting entity shall be obliged to apply the following supplementary enhanced due diligence measures: 1. collect additional documents, data or information on the basis of which the customer's identity shall be verified; 2. additionally verify the submitted documents or additionally certify them by a foreign credit or financial institution referred to in Article 3, items 12 and 13 of this Law; 3. apply a measure whereby the first payment within the business activity is carried out through an account opened in the customer's name with the given credit institution. (3) The establishment of a business relationship without physical presence of the customer shall not be permitted, unless the reporting entity shall apply the measure set forth in paragraph 2, item 3 of this Article. SANCTIONS: Pursuant to art 90, of the AML/CFT Law, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons, A pecuniary penalty ranging from HRK 6,000.00 to HRK 30.000.00 shall be imposed on members of management board or other legal person's responsible person, A pecuniary penalty ranging from HRK 35,000.00 to HRK 450,000.00 shall be imposed on a natural person craftsman or a natural person involved in other independent business activity for the following infringements:

	Para(1), item 15. failure to apply one or several additional measures, in addition to the measures contained in Article 8, paragraph 1 of the AML/CFT Law, within the framework of the enhanced customer due diligence for the purpose of identification and identity verification of a customer who is not physically present (Article 33, paragraphs 1 and 2); Pursuant to the Article 91: (1) A pecuniary penalty ranging from HRK 40,000.00 to HRK 600,000.00 shall be imposed on legal persons for the following infringements: 12. establishing a business relationship with a customer who shall not be physically present at identification, without adopting a measure to ensure that the first payment be conducted through the account the customer has with the credit institution before the execution of any further customer's transaction (Article 33, paragraph 3); 13. for failure to put policies and procedures in place for monitoring the money laundering or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banks, ATM use, tele-banking, etc.) or for failure to take measures aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes (Article 34 paragraphs 1); 14. for failure to put policies and procedures in place for the risk attached with a business relationship or transactions with non face to face customers or for failure to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures (Article 34 paragraph 2). (2) A pecuniary penalty ranging from HRK 3,000.00 to HRK 15,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article. (3) A pecuniary penalty ranging from HRK 15,000.00 to HRK 150,000.00 shall be imposed on a natural person craftsman or a natural person involved in other independent business activity for the infringements referred to in paragraph 1 of this Article. Furthermore, Article 15 of the AML/CFT Law prescribes the following, Wire transfers: (8) Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment. (9) The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk. (10) The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. (11) The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment

	service provider shall notify the Office of a more permanent restriction or business relationship termination. (12) The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. (13) The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers. (14) When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation. The Financial Inspectorate of the Ministry of Finance has included into the Guidance for specific reporting entities, instructions highlighting those provisions of the AML Law which regulate high risk business relationships. Intention of including these paragraphs into the Guidelines was to explain certain articles of the AML/CFT Law into more details. Besides, within the part of the Guidance explaining special forms of customer due diligence, FI has put the instructions helping to reporting entities in making decision when and why they are obliged to conduct enhanced customer due diligence. The same was also incorporated into the Manual for supervision which is going to be used by the inspectors of the FI while conducting supervision/inspection. Part of the Manual is provided below: SPECIAL FORMS OF CUSTOMER DUE DILIGENCE Enhanced customer due diligence Authorized Persons of the FI shall examine whether the Subject of Supervision has conducted enhanced customer due diligence in manner and in cases prescribed by the AMLCFTL (art. 30) Enhanced customer due diligence, in addition to the measures prescribed by the AMLCFTL, shall include additional measures provided for by the AMLCFTL for the cases as follows: 4. the establishment of a correspondent relationship with a bank or other similar credit institution seated in a third country; 5. the establishment of a business relationship or the conducting of a transaction with a customer who is a politically exposed person; 6. in instances when the customer was not present in person during identification and identity verification of the person during the course of due diligence measures application (non face-to-face). 7. credit and financial institutions, carriers or receivers of transfer of electronic money, not containing complete information on sender as prescribed in Art. 15 of the AMLCFTL. 8. applying new technologies that enable anonymity. Article 30 of the AML/CFT Law, Para 3, “the reporting entity may apply an enhanced customer due diligence measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or might exist a great degree of money laundering or terrorist financing risk, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer”. According to the provisions of Article 88 of Law (AML/FT), in March 2009

	HANFA will issue Guidelines for anti money laundering and terrorism financing of financial institutions in HANFA's juridisiction. The draft of Guidelines is already prepared and will be discussed with representatives of financial institutions on workshop in the late February 2009. Procedures regarding new technologies and non face-to-face business are also included in the above mentioned Guidelines.
Measures taken to implement the recommendations since the adoption of the first progress report	**New Technologies Providing for Anonymity** Pursuant to the Item 7 of the CNB´s guidelines, when establishing policies and procedures aimed at reducing exposure to the risk of money laundering and terrorist financing stemming from new technologies enabling anonymity (electronic or Internet banking, electronic money, etc), institutions should provide for implementation of technological solutions which ensure: 1. unequivocal identification of customers using electronic banking; 2. credibility of the signed electronic documents; 3. reliable measures against document and signature counterfeiting; 4. systems that are protected from alterations and ensure technical and cryptographic security for electronic banking; and 5. other conditions in accordance with positive regulations governing this area of operation. Aiming at unequivocal identification of customers using electronic banking, institutions may use different methods to determine identity, including PINs, passwords, smart cards, biometrics and digital certificates. **Customer's Absence during the Identification and Identity Verification** According to the Item 6.5 of the CNB´s guidelines, additional documents, data or information on the basis of which the customer's identity is verified may be as follows: 1. for residents, evidence of permanent residence obtained from the competent authority that keeps the record or certificate of permanent residence issued by the Police Department; for non residents, evidence obtained from, e.g. credit reference agency; 2. personal references (e.g. from an existing customer of the institution); 3. previous bank references and contact; 4. data on the source of funds and assets which are or will be the subject of the business relationship; 5. certificate of employment or the public function that the person holds. For natural persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by verifying date of birth in an official document (e.g. birth certificate, passport, ID card, social security records); 2. by verifying the permanent address (e.g. through utility bills, tax apportionment, bank statements, letters from public authorities); 3. by contacting the client by telephone, letter or e-mail for the purpose of verifying information after the account has been opened (e.g. disconnected telephone, returned letter or incorrect e-mail address indicate a need for further checks); 4. by verifying the accuracy of official documents by a certificate issued by an authorised person (e.g. an embassy employee, public notary). For legal persons, institutions may additionally verify submitted documents in at least one of the following ways: 1. by examining a copy of the latest performance report and financial statements (audited, if available); 2. through an examination performed by the Business Information Centre or a

	statement of a reputable and well-known attorney or accounting company that verifies submitted documents; 3. by examining the company or carrying out some other type of review in order to verify that the company has not ceased operating, that it has not been removed from the register or liquidated, or that it is not in the process of terminating its operation, removal from the register or liquidation; 4. by independent verification of information, such as accessing public and private data bases; 5. by obtaining prior references of the institution; 6. by contacting the company via telephone, mail or e-mail. In some jurisdictions other equivalent documents may exist which may provide satisfactory evidence on the identity of a customer. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons. The Financial Inspectorate of the Ministry of Finance has included into the Guidance for specific reporting entities, instructions highlighting those provisions of the AML Law which regulate high risk business relationships. The same is done within the draft general Guidance which is to be published. Besides, within the part of the Guidance explaining special forms of customer due diligence, FI has put the instructions helping to reporting entities in making decision when and why they are obliged to conduct enhanced customer due diligence "Additional due diligence: Reporting entities are required to take additional due diligence measures in a number of situations.: 1. collecting information on the purpose and intended nature of the business relationship or transaction; 2. identifying beneficial owners; 3. non face-to-face identification; 4. originator information in Electronic Fund Transfers; 5. refusal to establish business relationship or conduct a transaction; and customer due diligence conducted through third party. Guidance gives criterions for the assessment of all activities conducted by the reporting entity. The same is incorporated into the Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures which is developed within the IMF technical assistance project and is used by the FI inspectors while conducting supervision/inspection. Manual gives instructions to the inspectors of the FI to check whether RE has policies and procedures for non face to face transactions and whether their employees are knowledgeable about policies and procedures. According to Chapter IV.2.2. of HANFA's Guidelines: The reporting entity shall pay particular attention to each risk of money laundering and/or terrorist financing that might arise from new technologies which enable anonymity, such as for instance e-banking, and formulate policies and take measures to prevent the use of new technologies for the purpose of money laundering and terrorist financing. The policies and procedures of the reporting entity for the risk associated with a business relationship or a transaction with customers that are not physically present, shall also be applied in business operations with customers

	conducted by means of new technologies, in accordance with the provisions of Article 33 of the Act.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	
Recommendation 11 (Unusual transactions)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement Rec. 11*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **AMLFT Law:** **Complex and Unusual Transactions** **Article 43** (1) The reporting entities shall be obliged to pay a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without an apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions. (2) Concerning the transactions referred to in paragraph 1 of this Article, the reporting entities shall be obliged to analyse the background and purpose of such transactions, and to make a written record of the analysis results to be available at the request of the Office and other supervisory bodies referred to in Article 83 of this Law. (3) By way of derogation from the provisions contained in paragraphs 1 and 2 of this Article, should the reporting entities detect suspicion of money laundering or terrorist financing they shall be obliged to observe the provisions of Article 42 of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	While performing on-site supervision of credit institutions in a given period (since the adoption of the first progress report in March 2009) it was determined that credit institutions that had been an object of supervision have established specific mechanisms to monitor transactions (either of applicative or administrative nature, or a combination of both) in order to observe the complex and unusual transactions in a manner and in accordance with the provisions of Article 43 of the AMLFT Law. Also, it was established that if a credit institution identifies an unusual and complex transaction, these data are analyzed and separated in a special register attesting to the analysis implementation. The CNB under its regular procedures of on-site supervision reviews these records of the complex and unusual transactions which are separated by the credit institution. FI included into the Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures, assessment criterions which help inspectors in making decision on whether or not RE conducted appropriate measures:

	Complex and usual transactions are identified The authorized person shall examine whether the reporting entity paid a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions. **Analysis of background and purpose of transaction is documented and provided to FIU and supervisors upon request** The authorized person is obliged to examine whether the reporting entity analyses the background and purpose of such transactions, and to make a written record of the analysis results (to be kept for at least 10 years) to be available at the request of the FIU and other supervisory bodies referred to in Article 81 of the AMLCFT Law, (the reporting entity is obliged to observe the provisions of Article 39 of the AMLCFT Law if detecting suspicion of money laundering or terrorist financing)
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities which also included above mentioned instructions for reporting entities.

Recommendation 12 (DNFBP – R.5, 6, 8-11)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should fully implement Recommendations 5, 6, 8 and 9 and make these measures applicable to DNFBP in the situations described in Recommendation 12.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Regarding lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services, casinos, real-estate agents, dealers in precious metals and stones, new AMLFT Law makes AML/CFT measures applicable to DNFBP in the situations described in Recommendation 12. **AMLFT Law:** **Article 4** (**Reporting entities**): (3) Reporting entities referred to in paragraph 2, item 16 of this Article shall carry out measures for the prevention and detection of money laundering and terrorist financing as provided for in this Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed in the third chapter of this Law. CHAPTER III DUTIES OF LAWYERS, LAW FIRMS AND NOTARIES PUBLIC, AND AUDITING FIRMS AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS INVOLVED IN THE PERFORMANCE OF ACCOUNTING SERVICES AND TAX ADVISORY SERVICES **General Provisions** **Article 51** During the performance of matters from their respective scopes of competence as defined in other laws, lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services (hereinafter referred to as the persons

	performing professional activities) shall be obliged to carry out money laundering and terrorist financing prevention and detection measures and to observe the provisions of this Law providing for duties and obligations of other reporting entities, unless set forth otherwise in this Chapter. **Tasks and Duties of Lawyers, Law Firms and Notaries Public** **Article 52** By way of derogation from the provisions contained in **Article 51** of this Law, lawyers, law firms or notaries public shall observe the provisions of this Law only in instances when: 1. assisting in planning or conducting transactions on behalf of a customer in relation with: a) buying or selling real-estate or stakes, i.e. shares in a company; b) management of cash funds, financial instruments or other customer-owned property; c) opening or managing bank accounts, savings deposits or financial instruments trading accounts; d) collecting funds necessary for the establishment, operation or management of a company; e) establishment, operation or management of an institution, a fund, a company or another legally defined organisational form; 2. carrying out real-estate related financial transaction or transactions on behalf and for the account of a customer. **Customer Due Diligence Conducted by Persons Involved in the Performance of Professional Activities** **Article 53** (1) Within the framework of customer due diligence at establishing the business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 4, 5, 7, 8 and 10 of this Law. (2) Within the framework of customer due diligence at conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 9 and 10 of this Law. (3) Within the framework of customer due diligence in instances when there shall be suspicion of credibility and veracity of the previously collected customer or beneficial owner information, and in all instances when there shall be reasons for suspicion of money laundering or terrorist financing as referred to in Article 9, paragraph 1, items 3 and 4 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of this Law. (4) Within the framework of customer identification, the persons involved in the performance of professional activities shall identify the customer, i.e. customer's legal representative or the person authorised by power of attorney and shall gather information referred to in Article 16, paragraph 1, item 1 of this Law, through the examination of a customer's official personal identification document, i.e. original documents or notarised photocopies of documents or notarised documentation from a court or other public register, which may not be more than three months old. (5) The persons involved in the performance of professional activities shall identify the beneficial owner of the customer, which beneficial owner shall be a legal person or another similar legal entity through the gathering of information referred to in

	Article 16, paragraph 1, item 4 of this Law, through examination or original or notarised photocopy of documentation from a court or other public register, which may not be more than three months old. Should the excerpts from a court or other public register be insufficient to enable the collection of all information, the missing information shall be collected through the examination of original or notarised photocopies of documents and other business documentation presented by the legal person's legal representative, i.e. his/her person authorised by power of attorney. (6) The persons involved in the performance of professional activities shall gather other information referred to in Article 16, paragraph 1 of this Law through the examination of original or notarised photocopy of documents and other business documentation. (7) Should it be impossible to obtain all data in the manner set forth in this Article, the missing information, except for information referred to in Article 16, paragraph 1, item 1, sub-item 5, item 5, sub-item 5 and item 11 of this Law, shall be gathered directly from a written statement given by the customer or customer's legal representative. (8) At establishing a business relationship with a customer subject to the mandatory audit of annual accounting statements as prescribed by a law providing for the customer's business activity, an auditing firm and an independent auditor may conduct a simplified customer due diligence, save for instances where reasons for suspicion of money laundering or terrorist financing shall exist associated with a customer or circumstances of an audit. (9) The persons involved in the performance of professional activities shall conduct customer due diligence measures referred to in paragraphs 1-7 of this Article to the extent and within the scope relevant to their scope of work. **Obligation of the persons involved in the performance of professional activities to report the Office on transactions and persons in relation to which reasons for suspicion of money laundering and terrorist financing shall exist** **Article 54** (1) Should a lawyer, a law firm and a notary public, as well as an auditing firm and an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services establish during the performance of matters referred to in Article 52 of this Law that reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or certain person, they shall undertake to notify the Office thereof without any undue delay pursuant to with the provisions contained in Article 42 of this Law. (2) In all instances when the customer seeks an advice from persons involved in the performance of professional activities on money laundering or terrorist financing, the persons involved in the performance of professional activities shall undertake to immediately notify the Office thereof, and no later than within three business days from the date the customer sought for such an advice. (3) At reporting the Office on suspicious transactions, the persons involved in the performance of professional activities shall furnish the Office with information referred to in Article 16, paragraph 1 of this Law in the manner to be prescribed by the Minister of Finance in a rulebook. **Exceptions for persons involved in the performance of professional activities** **Article 55** (1) The provisions contained in Article 54, paragraphs 1 of this Law shall not apply to the persons involved in the performance of professional activities in respect of

	information they receive from or obtain on a customer during the course of establishing the legal position of the customer or during the representation of the customer in relation with a court proceeding which shall include advice on proposing or avoiding court proceeding, whether such information is received or obtained before, during or after the completion of such court proceedings. (2) In the instance covered in paragraph 1 of this Article, the persons involved in the performance of professional activities shall not be obliged to supply data, information and documentation on the basis of the Office's request referred to in Article 59 of this Law. In such instances, they shall undertake to proceed without any undue delay and no later than within fifteen days from the receipt of the request supply the Office with a substantiated written explanation of reasons for which they did not comply with the Office's request. (3) By way of derogation from the obligations prescribed in this Law, the persons involved in the performance of professional activities shall not be obliged: 1. to report the Office on cash transactions referred to in Article 40, paragraph 1 of this Law, except in instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a customer; 2. to appoint authorised persons and authorised person's deputy; 3. to carry out internal audit over the performance of money laundering and terrorist financing related tasks. **Regarding casinos (having regular CTR and STR regime):** AMLFT Law: **Obligation of Applying Customer Due Diligence Measures by Organisers of Lottery Games, Casino Games, Betting Games, Games of Chance on Slot-Machines and Games of Chance on the Internet or other Telecommunication Means, i.e. Electronic Communications** **Article 12** (1) Organisers of casino games shall conduct the measure of identifying the customer and verifying the customer's identity on customer's entry into the casino, collecting the following information: - name and surname of natural person, permanent address, date and place of birth; - identification number and name, number and name of the body which issued the identification document; - date and time of entry into the casino. (2) With the transaction referred to in Article 9, paragraph 1, item 2 of this Law, the organisers of lottery games, casino games, betting games and games of chance on slot machines shall identify the customer and verify the identity of the customer at the point of performing the transaction at the cash register, collecting the following information: - name and surname of natural person, permanent address, date and place of birth; - identification number and name, number and name of the body which issued the identification document; (3) By way of derogation from the provisions contained in paragraph 2 of this Article, the organiser of lottery games, casino games, betting games and games of chance on slot machines shall be obliged to carry out due diligence measures when there are reasons for suspicion of money laundering or terrorist financing in relation with a customer, product or transaction, even for transactions amounting to HRK 105,000.00 and less on executing the transaction at the cash register. (4) The establishment of a business relationship referred to in Article 9, paragraph 1,

	item 1 of this Law shall also include the registration of a customer to take part in the system of organising games of chance with organisers arranging the games of chance on the Internet or other telecommunications means, i.e. electronic communications. (5) At establishing business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the organiser of games of chance on the Internet or other telecommunications means, i.e. electronic communications, shall collect information referred to in paragraph 2 of this Article. **Other DNFBPs (real-estate agents, dealers in precious metals and stones) have the same obligations as the other non-DNFBP reporting entities, except in cash transaction regarding the limitation of cash business.** **AMLFT Law:** **Restrictions in Cash Operations** **Article 39** (1) Cash collections exceeding the amount of HRK 105,000.00 shall not be permitted in the Republic of Croatia, i.e. in the arrangements with non-residents valued in excess of EUR 15,000.00 at: - selling goods and rendering services; - sales of real-estate; - receiving loans; - selling negotiable securities or stakes. (2) The limitation of receiving cash payments referred to in paragraph 1 of this Article shall also be in effect in instances when the payment with the said transaction shall be conducted in several interrelated cash transactions jointly exceeding HRK 105,000.00, i.e. a value of EUR 15,000.00. (3) The cash collection limitation shall pertain to all legal and natural persons who shall receive cash through the said transactions during the performance of their registered business activities. (4) The collections exceeding the amounts prescribed in paragraphs 1 and 2 of this Article must be conducted via non-cash means through a bank account, unless provided for otherwise in another law.
Measures taken to implement the recommendations since the adoption of the first progress report	Customer Due Diligence of the Organisers of Lottery Games, Casino Games, Betting Games, Games of Chance on Slot-Machines and Games of Chance on the Internet or other Telecommunication Means On 17/07/2009 the Act on Games of Chance ("OG" 87/2009), harmonized with the AML/CFT Law, was passed. The Act on Games of Chance came into force on 01/01/2010. Prevention of money laundering and terrorism financing is regulated by Articles 65 and 66 of the Act on Games of Chance. These articles are as follows: **Article 65** (1) The gaming operators from this Act shall operate according to the legislation **regulating the prevention of money laundering and terrorist financing, particularly in cases of customer due diligence, identification of the beneficiary owner, and identification of customers, suspicious transactions and terms for keeping customers' information**. 2) The gaming operators from this Act **shall conduct due diligence of a client in all cases and in the way stipulated in the Act on the Prevention of Money Laundering and Terrorism Financing**. **Article 66** (1) The operator and his employees shall keep confidential any and all information on players and their participation in the game, including information on their

	winnings and losses. (2) Confidentiality shall not be breached in cases where according to the General Tax Act, there is no obligation to keep a tax secret and where the operator is obliged to proceed **in accordance with the laws and regulations governing the prevention of money laundering and terrorism financing**. (3) The operator shall, at the player's request, issue a certificate to the player on his winnings. The operator shall keep a record of the certificates for five years after the year of issue of the certificate. Pursuant to Act on Games of Chance in 2010 the following ordinances were adopted which are related to AMLFT: 1. Ordinance on Lottery Games ("OG" 78/10) 2. Ordinance on Interactive Online Casino Gaming ("OG" 78/10) 3. Ordinance on Obtaining License for Work in Casino ("OG" 78/10) 4. Ordinance on Organizing Remote Betting Games ("OG" 8/10 and 63/10) The Ordinance on Lottery Games was adopted on 23/06/2010, and applies from 01/07/2010. Articles 15 and 16 of the Ordinance regulate receiving of lottery games payments referred by means of the Internet, text messages or any other interactive communication channel. **Article 15** (1) Operation of lottery games by means of the Internet, text messages or any other interactive communication channel is the operation of lottery games where players use the Information Communication Technology to perform the necessary activities related to remote lottery games. (2) Each method of receiving lottery games payments referred to in paragraph 1 of this Article shall be registered as a separate payment point in the gaming system. **Article 16** The Operator who accepts payments by means of the Internet, text messages or any other interactive communication channel shall, for their transactions with players, use only the special purpose account opened in the Republic of Croatia. **Article 19 of the same Ordinance regulates the registration of players.** **Article 19** Players can be registered on the basis of the agreement concluded at payment points or via the Operator's website. Players shall, for the purpose of registration, provide the following information: 1. Name and Surname, 2. Address, 3. Identification player number from personal identification document, 4. Date of birth, 5. e-mail address for lottery (and other) games played via the Internet, 6. The preferred user name, 7. The preferred password in conformity with the necessary safety standard, 8. Number of a registered mobile phone for lottery (and other) games played via text messages, 9. The number of only one transaction account referred to in Article 24, paragraph 1, item 4 of this Ordinance for the purpose of payouts gained in lottery (and other) games. **Article 20 prescribes the identification of players.** **Article 20** (1) Identification of players is a process whereby the truthfulness of players' data and their full age are determined by means of data verification via electronic

	services of the Tax Administration or via the electronic payment system by verifying the debit or credit card holder. (2) Players shall for maturity verification purposes provide the information from paragraph 1 of this Article during the registration process. Also, the Article 12 of the Ordinance regulates payments made via self-service terminals. **Article 12** (1) Payments for lottery games can be accepted by means of self-service terminals that can be located at payment points of the Operator, in betting shops, catering facilities with the surface of at least 40 m2, in casinos and slot-machine clubs premises, shopping centres and other public premises, provided that the payment point has a surface of at least 2 m2. (2) Lottery games payments made via self-service terminals shall not be accepted within educational, cultural or social care facilities and health institutions. (3) Catering facilities shall be allowed to accommodate only one self-service terminal for the lottery games payments. The Ordinance on Interactive Online Casino Gaming was adopted on 23/06/2010, and applies from 01/07/2010. Article 6 of the Ordinance sets out the provisions on operator's and player's accounts, and the same article reads: (1) Operators who capture payments by means of interactive online gaming shall, for mutual transactions with players, use only the special purpose account opened in the Republic of Croatia. (2) Winnings shall be paid out only to the player's account registered with the operator. **Articles 19 and 20 prescribe surveillance requirements, safety principles and principles of responsible gaming.** **Article 19** (1) Operators of interactive online casino games shall submit, together with their application for the authorisation for organising interactive online casino games, the written procedures of the surveillance system which they intend to use. (2) Operators shall submit information pertaining to general procedures for interactive online casino gaming, including players registration and identification, method of capturing payments for interactive online casino games, method and terms of pay-outs, method of personal data protection for natural persons in accordance with the regulations in force, and the deregistration of players from the interactive online casino gaming system. (3)Authorised officials of the Ministry of Finance shall establish, by means of direct inspection at operator's premises, whether the procedures submitted with the operator's application match the findings established during inspection. (4) The Ministry of Finance can request, at any time and at the expense of the operator, an independent assessment of the compliance of an operator's system. (5) Operators of interactive online casino games shall not be responsible for players' selection of computer equipment, telecommunication services, service of accessing the interactive online games, etc. Operators shall not be responsible for damage or loss suffered by a player due to a mistake of a provider of Internet services or a telecommunication system operator. **Article 20** (1) Registered players can, in writing or via e-mail, establish for the operator the highest amount which can be paid during a certain period of time, i.e. establish the highest amount of loss which they can afford during a certain period of time. Players

	can in written form demand to be excluded from the game for a defined period of time. Operators shall exclude from the game players who within three days confirm their request for self-exclusion. (2) Registered players can cancel the highest amount for game, the ceiling of loss or self-exclusion in writing or via e-mail. (3) Information about payments for interactive online casino gaming and winnings paid out shall be available to players at all times. **Article 9 of the same Ordinance regulates the registration of players**. **Article 9** (1) Players can be registered on the basis of the agreement concluded with the operator in the casino or by means of the operator's web site. The player shall, for the purpose of registration, provide the following information: 1. Name and Surname, 2. Address, 3. Identification number, 4. Date of birth, 5. e-mail address, 6. The preferred user name, 7. The preferred password compliant with the necessary safety standard, 8. The number of only one transaction account for the purpose of payouts. (2) Players shall notify the operator of any changes of information referred to in paragraph 2 of this Article. **Article 10 prescribes the identification of players.** **Article 10** (1) Identification of players is a process whereby the truthfulness of players' data and their full age are determined by means of data verification via electronic services of the Tax Administration. (2) Players' full age can also be determined via the electronic payment system by verifying the debit or credit card holder. The Ordinance on Obtaining License for Work in Casino was adopted on 23/06/2010, and applies from 01/07/2010. This Ordinance, in Articles 3 and 4 introduces in the Republic of Croatia for the first time the obligation of occupational training of employees directly involved in the conduct of games of chance in casinos and terms and conditions for obtaining permission (license) on their occupational training. Until this Ordinance training of employees who are directly involved in the conduct of games of chance in casino was conducted by employees of the operator, who worked directly on managerial positions in the casino (casino manager, assistant casino manager, instructor in organizing games, and similar). By the said Ordinance, the Ministry of Finance is responsible under Article 8 of the Ordinance to establish if the employee fulfils the conditions for taking the license examination (and obtaining licence). Similarly, Article 15 regulates the work of the Commission that holds the license examination that is no longer just an internal matter of the gaming operator. Questions for licence examination are compiled by the Ministry of Finance in accordance with professional standards and in cooperation with the operator of the games of chance. **Article 15** (1) The Commission that holds the license examination and issues the license shall consist of three members. One member of the Commission shall be the representative of the operator whose employee is taking the license examination; the second member shall be selected among other operators of games of chance in casinos; and the third member shall be the representative of the Ministry of Finance

	selected among the administrators handling tasks related to the organization of games of chance. (2) Members of the Commission representing the operator shall be selected by the Ministry of Finance at the proposal of the operator. The operator shall submit information to the Ministry of Finance on at least two employees with license for work in a casino with five or more years of experience in the most complex tasks in the casino proposing to be members of the Commission. (3) The Commission shall have a president who shall be elected by the Commission with a majority of votes. President of the Commission shall be responsible for executing the license examination in accordance with legal regulations. President and members shall have deputies. (4) Decisions shall be made with a majority of votes of the Commission members (at least two votes). This Ordinance envisages, in the Article 12, the possibility for revoking the permission (license). **Article 12** (1) License shall be valid during the entire period while the license holder is complying with the requirements referred to in Articles 4 and 5 hereof. (2) Should the operator establish that the license holder no longer complies with any of the conditions used as grounds for issuing the license in question, the operator shall, within eight days, notify the Ministry of Finance thereof in written form. (3) Should the operator have reasonable cause for revoking the license, for instance in case of severe violation of work obligations or in case of some other very important fact, with taking all the circumstances and interests of both parties to the contract in consideration, the operator shall then submit a request for revoking the license to the Ministry of Finance. (4) Should the Ministry of Finance establish that the grounds for revoking the license are justified, it shall make a decision to revoke the license. Decision on revoking the license shall be forwarded to all operators of games of chance in the territory of the Republic of Croatia, and the employee who has had his license revoked shall be deleted from the license registry. (5) Employee from paragraph 4 herein may re-take the license examination at the request of an operator only once three years have passed since the deletion from the license registry, provided that all the requirements referred to in Article 7 hereof have been met. Article 17 of the Ordinance specifies that the License Holders Registry shall be managed by the Ministry of Finance and complete documentation on license holders shall be kept in the facilities of the Ministry of Finance. Article 19 of the Ordinance specifies that the casino employees referred to in Article 2, paragraph 1, who shall by the provisions of this Ordinance have a licence for work, shall have the obligation to successfully take the license examination for the purpose of obtaining the license no later than 1st January 2012. The Ordinance on Organizing Remote Betting Games was adopted on 15/01/2010, and applies from 01/06/2010. In Article 6 of this Ordinance are set out provisions on the operator's and player's accounts, and the Article reads: (1) The operator who captures bets via the Internet and SMS messages shall, for mutual transactions with players, use only the special purpose account opened in the Republic of Croatia. (2) The winning shall be paid out only to the player's account registered with the operator.

	Article 18 of the Ordinance prescribes the surveillance system, and the Article reads: (1) The operator of betting games from this Ordinance shall submit, together with his application for the authorization for organizing remote betting games, the written procedures of the surveillance system which he intends to use for the purpose of organizing betting games via the Internet or SMS messages. (2) He shall primarily submit the information pertaining to the general procedures which need to be monitored in case of remote gaming, including the players registration and identification, method of capturing the bets, method and terms of pay-outs, method of protection of personal data of natural persons in accordance with the regulations in force and the deregistration of the players from the remote gaming system. (3) The authorized officials of the Ministry of Finance shall establish, by means of direct inspection of the operator's premises, whether the procedures submitted with the operator's application match the findings established during the inspection. (4) The Ministry of Finance can request, at any time and at the expense of the operator, the independent assessment of the compliance of the operator's system. **Article 10 of the same Ordinance regulates the registration of players.** **Article 10** (1) The players can be registered on the basis of the agreement concluded in the betting shop or by means of the operator's web page. (2) The player shall, for the purpose of registration, provide the following information: 1. Name and Surname, 2. Address, 3. Player's identification number from his identification document, 4. Date of birth, 5. E-mail address for Internet betting, 6. The preferred user name, 7. The preferred password compliant with the necessary safety standard, 8. The number of the registered mobile phone for betting via SMS messages, 9. The number of only one transaction account for the purpose of betting payouts from Article 16, paragraph 1, items 2, 3 and 4. Article 11 prescribes the identification of players. Article 11 reads: (1) The identification of players is a process of verification of the accuracy of players' data and establishment of their full age by means of verification of their correct PIN by means of access to the PIN Registry through the use of the electronic services of the Tax Administration (e-Porezna). (2) The identification of the players' full age can also be carried out by means of the verification of the holder of debit or credit card through the use of the electronic payment system. (3) The player shall provide the information from paragraphs 1 and 2 of this Article during registration.
Recommendation of the MONEYVAL Report	*DNFBP should be required to pay special attention to all complex, unusually large transactions or unusual patters of transactions that have no apparent or visible economic or lawful purpose. Additionally, they should examine the background and purpose of complex transactions, set out their findings in writing, and keep the findings available for competent authorities for at least five years.*
Measures reported as of 18 March 2009 to implement the Recommendation of	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. DNFBPs shall carry out measures for the prevention and detection of money

the report	laundering and terrorist financing as provided for in the Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed by the Law. There are no exemptions in regard to the Complex and Unusual Transactions. There is general obligation of keeping the documents for 10 years (see Rec. 10). **AMLFT Law:** **Complex and Unusual Transactions** **Article 43** (1) The reporting entities shall be obliged to pay a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without an apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions. (2) Concerning the transactions referred to in paragraph 1 of this Article, the reporting entities shall be obliged to analyse the background and purpose of such transactions, and to make a written record of the analysis results to be available at the request of the Office and other supervisory bodies referred to in Article 83 of this Law. (3) By way of derogation from the provisions contained in paragraphs 1 and 2 of this Article, should the reporting entities detect suspicion of money laundering or terrorist financing they shall be obliged to observe the provisions of Article 42of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	FI included into the Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures, assessment criterions which help inspectors in making decision on whether or not RE conducted appropriate measures: **Complex and usual transactions are identified** The authorized person shall examine whether the reporting entity paid a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions. **Analysis of background and purpose of transaction is documented and provided to FIU and supervisors upon request** The authorized person is obliged to examine whether the reporting entity analyses the background and purpose of such transactions, and to make a written record of the analysis results (to be kept for at least 10 years) to be available at the request of the FIU and other supervisory bodies referred to in Article 81 of the AMLCFT Law, (the reporting entity is obliged to observe the provisions of Article 39 of the AMLCFT Law if detecting suspicion of money laundering or terrorist financing) Similar instructions are part of the general Guidance for RE.
Recommendation of the MONEYVAL Report	*The different sectors and their professional associations should cooperate more closely with the AMLD and with each other in order to improve awareness and overcome any unwillingness to apply AML/CFT requirements.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The AMLO and other relevant supervisory bodies are in regular contact with the professional associations of the financial and non-financial sector regarding the all issues of implementing new AMLFT Law. Seminars have been organized and guidelines prepared. Education and guidelines are made not in the way to instigate reporting as such but to raise awareness of importance of the AML/CFT measures and to recognize suspicious transactions as defined in the Law. Need of co-operation have been stressed out during each training. Feedback and large interest from all

	sectors have been recorded. Although this co-operation is related within fields not always specifically stated /going beyond the Law (e.g. education), the AMLFT Law prescribes several situations where this co-operation is needed. E.g.: **AMLFT Law:** **Obligation concerning the production of a list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist** **Article 41** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to produce a list of indicators for the detection of suspicious transactions and customers in relation with which reasons for suspicion of money laundering or terrorist financing shall exist. (2) During the course of production of the list of indicators referred to in the previous paragraph of this Article, the reporting entities shall first of all take account of the specific features to their respective operations and the characteristics of a suspicious transaction referred to in Article 42, paragraph 7 of this Law. (3) During the course of determining the reasons for suspicion of money laundering or terrorist financing and other circumstances thereof, the reporting entities shall be obliged to use the list of indicators referred to in paragraph 1 of this Article as basic guidelines for determining the reasons for suspicion of money laundering and terrorist financing. (4) The list of indicators referred to in paragraph 1 of this Article shall be an integral part of the reporting entity's internal enactments, and the reporting entities shall be obliged to upgrade and adapt the list in accordance with the money laundering trends and typologies known to them, as well as with circumstances stemming from the operations of the given reporting entity. (5) The Office, the Financial Inspectorate, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervision Agency, the Croatian Chamber of Notaries Public, the Croatian Bar Association, the Croatian Tax Advisors Chamber, and associations and societies whose members shall be obliged to observe this Law shall cooperate with the reporting entities for the purpose of producing the list of indicators referred to in paragraph 1 of this Article. (6) The Minister of Finance may issue a special rulebook to prescribe mandatory inclusion of individual indicators into the list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist. **Issuing Recommendations and Guidelines** **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other supervisory bodies issue recommendations or guidelines relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law.
Measures taken to implement the recommendations since the adoption	In order to improve awareness and overcome any unwillingness to apply AML/CFT requirements, in 2010 AMLO, Financial inspectorate and professional associations organised: Seminar on role of lawyers and law firms as reporting entities concerning the AMLFT Law (with Croatian Bar Association), TAIEX Seminar on the

of the first progress report	Responsibility of Lawyers and Notaries Public in Recognizing and Reporting Suspicious Transactions (with Croatian Bar Association and Croatian Chamber of Notaries Public), Seminar on implementation of AMLCFT Law for accountants, Education for auditors on the International Conference on AML/CFT, Seminar on AML/CFT Law and its implications on auditors' work and education for real estate agents sub-section for real estate of CCE. In November 2009 Financial Inspectorate issued Guidelines for the implementation of the AMLFT Law for lawyers and notaries public.
Recommendation of the MONEYVAL Report	*Real estate agents should be made reporting institutions within the Croatian AML/CFT regime (covering the situations described by Rec. 12).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies, making real estate agents clearly as reporting institutions. **AMLFT Law:** **Reporting Entities** **Article 4** (1) Measures, actions and procedures for the prevention and detection of money laundering and terrorist financing laid down in this Law shall be carried out before and/or during each transaction, as well as upon entering into legal arrangements aimed at obtaining or using property and in other forms of disposing of monies, rights and other property in other forms which may serve for money laundering and terrorist financing purposes. (2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be: 1. banks, branches of foreign banks and banks from member-states authorised for a direct provision of banking services in the Republic of Croatia; 2. savings banks; 3. housing savings banks; 4. credit unions; 5. companies performing certain payment operations services, including money transfers; 6. Croatian Post Inc. 7. investment funds management companies, business units of third countries management companies, management companies from member-states which have a business unit in the Republic of Croatia, i.e. which are authorised to directly perform funds management business in the territory of the Republic of Croatia and third parties which are allowed, in keeping with the law providing for the funds operation, to be entrusted with certain matters by the respective management company; 8. pension companies; 9. companies authorised to do business with financial instruments and branches of foreign companies dealing with financial instruments in the Republic of Croatia; 10. insurance companies authorised for the performance of life insurance matters, branches of insurance companies from third countries authorised to perform life insurance matters and insurance companies from member-states which perform life insurance matters directly or via a branch in the Republic of Croatia;

	11. companies for the issuance of electronic money, branches of companies for the issuance of electronic money from member-states, branches of companies for the issuance of electronic money from third countries and companies for the issuance of electronic money from member-states authorised to directly render services of issuing electronic money in the Republic of Croatia; 12. authorised exchange offices; 13. organisers of games of chance: a) lottery games, b) casino games, c) betting games, d) slot-machine gaming, e) games of chance on the Internet and via other telecommunications means, i.e. electronic communications; 14. pawnshops; 15. legal and natural persons performing business in relation to the activities listed hereunder: a) giving credits or loans, also including: consumers' credits, mortgage loans, factoring and commercial financing, including forfeiting, b) leasing, c) payment instruments issuance and management (e.g., credit cards and traveller's cheques), d) issuance of guarantees and security instruments, e) investment management on behalf of third parties and providing advisory thereof, f) rental of safe deposit boxes, g) credit dealings intermediation, h) insurance agents with entering into life insurance agreements, i) insurance intermediation with entering into life insurance agreements, j) trusts or company service providers, k) trading precious metals and gems and products made of them, l) trading artistic items and antiques, m) organising or carrying out auctions, **n) real-estate intermediation.** 16. legal and natural persons performing matters within the framework of the following professional activities: a) lawyers, law firms and notaries public, b) auditing firms and independent auditors, c) natural and legal persons performing accountancy and tax advisory services. (3) Reporting entities referred to in paragraph 2, item 16 of this Article shall carry out measures for the prevention and detection of money laundering and terrorist financing as provided for in this Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed in the third chapter of this Law. (4) The Minister of Finance may issue a rulebook to set terms and conditions under which the reporting entities referred to in paragraph 2 of this Article who perform financial activities only occasionally or within a limited scope and with which there is a negligible money laundering or terrorist financing risk may be excluded from the group of reporting entities obliged to implement measures as per this Law. (5) Branches of foreign credit and financial institutions and other reporting entities

	established in the Republic of Croatia as per a law providing for their work, in addition to branches of credit and financial institutions referred to in paragraph 2, items 1, 7, 9, 10, 11 of this Article, shall be reporting entities obliged to implement measures and actions referred to in paragraph 1 of this Article.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 14 (Protection and no tipping-off)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce safe harbour provisions to the full extent as required by criterion 14.1.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **AMLFT Law:** **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law **shall not represent the disclosure of classified data**, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees **shall not be held accountable for any damage** caused to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 1. supply the Office with data, information and documentation on their customers; 2. collect and process customer data, information and documentation; 3. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 4. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law **may not be held disciplinary or criminally answerable** for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if:

	1. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; 2. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*There should be a clear legal basis for protection in the case of reporting a suspicion of terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the Law refers to "ML and/or FT", Article 1 additionally states that "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing". There is clear legal base for protection in the case of reporting a suspicion of terrorist financing. **AMLFT Law:** **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law **shall not represent the disclosure of classified data**, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees **shall not be held accountable for any damage caused** to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 1. **supply the Office with data**, information and documentation on their customers; 2. collect and process customer data, information and documentation; 3. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 4. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law **may not be held disciplinary or criminally answerable** for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if: 1. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; 2. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.

Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*There should be a direct and explicit sanctioning authority for "tipping off".*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In July 2007 new Law on Data Secrecy came into force defining all secret data received and used for the needs of official bodies as "classified" with relevant level of secrecy. The AMLFT Law, in accordance with this Law, states that information on specific AMLO activities and information collected according to the AMLFT Law linked with money laundering or terrorist financing shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. Tipping off of this classified data does not present a misdemeanour and it is not prescribed as such by the AMLFT Law, but unauthorised disclosure of official secret and criminal activity punished by the Criminal Code. Taking into account that the Criminal Code defines an official secret as an information received and used for the needs of official bodies, and considering that "classified data" presents official secret, recent changes of the same Law (December 2008) find no need to change this definition, and tipping off by the relevant legal interpretation presents a criminal offence of "Disclosure of an Official Secret" of the Criminal Code, punishable by 1 - 10 years imprisonment. **AMLFT Law:** **Section 1:** DATA PROTECTION **Secrecy of the Collected Data and of the Procedures** **Article 75** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees, including members of management and supervisory boards and other managerial bodies and other persons who have any type of access and availability of data collected in accordance of this Law shall not be allowed to disclose the information listed hereunder to a customer or a third person: 1. that the Office was or will be supplied with a piece of data, information or documentation on the customer or a third person or a transaction referred to in Article 42, Article 54, paragraphs 1 and 2 and Article 59 of this Law; 2. that the Office had temporarily suspended the execution of a suspicious transaction, i.e. gave instructions thereof to the reporting entity on the basis of Article 60 of this Law; 3. that the Office requested ongoing monitoring of a customer's financial operations on the basis of Article 62 of this Law; 4. that a pre-investigative procedure has commenced or might be commenced against a customer or a third person due to suspicion of money laundering or terrorist financing. (2) The Office shall not be allowed to communicate the collected data, information and documentation and the course of action on the basis of this Law to persons to which data, information and documentation or action shall pertain, or to third persons. (3) Information referred to in paragraphs 1 and 2 of this Article, reports on transactions suspected to be linked with money laundering or terrorist financing

	referred to in Article 65 of this Law shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. (4) The Head of the Office, and the person authorised by the Head of the Office to that end shall be entitled to decide on data declassifying and the exclusion from data secrecy observance. (5) The prohibition of information disclosure referred to in paragraph 1 of this Article shall not be valid if: 1. data, information and documentation collected and kept by the reporting entity in accordance with this Law shall be needed for the purpose of establishing facts in a criminal procedure and if the supply of such data was requested from or ordered to the reporting entity by a competent court in writing; 2. data from the previous item shall be required by a competent supervisory body referred to in Article 83 of this Law for the purpose of conducting supervision over a reporting entity in its implementation of the provisions of this Law and the initiation of a misdemeanour procedure. (6) An attempt on the part of persons involved in the performance of professional activities referred to in Article 4, paragraph 2 to dissuade a customer from engaging in an illegal activity shall not represent information disclosure within the meaning of paragraph 1 of this Article. **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law shall not represent the disclosure of classified data, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 5. supply the Office with data, information and documentation on their customers; 6. collect and process customer data, information and documentation; 7. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 8. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if: 3. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; 4. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.

	Use of the Collected Data **Article 77** (1) The Office, the reporting entities referred to in Article 4, paragraph 2 of this Law, the state bodies, the legal persons with public authorities and other entities referred to in Article 64 of this Law and their employees shall be allowed to use data, information and documentation they gathered in accordance with this Law only for the money laundering and terrorist financing prevention and detection purposes, unless prescribed otherwise. (2) The courts and the competent State Attorney's Offices shall be allowed to use data they received on the basis of Article 73 of this Law solely for the intended purpose of receipt.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 15 (Internal controls, compliance and audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Clear provision should be made for compliance officers to be designated at management level.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Requirements for the Authorised Person and the Deputy** **Article 45** (1) The reporting entity referred to in Article 4, paragraph 2, items 1-15 of this Law must ensure that the matters falling under the remit of the authorised person and the authorised person's deputy referred to in Article 44 of this Law be performed solely by persons who shall meet the following requirements: - **the person shall be employed at a position which was systematised within the organisational structure at such a level to enable the person execute the tasks prescribed by this Law and regulations passed on the basis of this Law in a quick, quality and timely fashion, as well as the independence in his/her work and direct communication with management;** - the person shall not be under a criminal proceeding, i.e. the person was not sentenced for an offence against the values protected by the international law, safety of payment operations and arrangements,

	credibility of documents, against property and the official duty for the period of 5 years upon the effectiveness of the sentence imposed on the person, with that the servitude time shall not be included in the said period; - the person shall be adequately professionally trained to carry out tasks in the field of money laundering and terrorist financing prevention and detection and shall possess the capabilities and experience necessary for the performance of the authorised person's function; - the person is well familiar with the nature of reporting entities' operations in the fields exposed to money laundering or terrorist financing risk.
Measures taken to implement the recommendations since the adoption of the first progress report	In accordance with the provisions of Article 45 of the AMLFT Law credit institutions are obliged to ensure that an authorized person must be employed in the workplace that is in the organizational structure of the credit institution systematized in such a position that enables fast, high quality and timely execution of tasks, independence in work and reporting directly to the management board. On-site supervision of credit institutions has determined that all credit institutions that had been an object of supervision meet the above-mentioned legal provisions, except two credit institutions which received the recommendations to harmonize its operations with legal provisions as soon as possible.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to* • *maintain an adequately resourced and independent audit function to test compliance with AML/CFT procedures, policies and controls;* • *put in place screening procedures to ensure high standards when hiring employees.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Regular Internal Audit Obligation** **Article 50** (1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall be obliged to ensure that regular internal audit over the performance of money laundering and terrorist financing prevention and detection assignments as per this Law be performed at least once a year, and to inform the Office accordingly at request. (2) The purpose of internal audit referred to in paragraph 1 of this Article shall relate to the detection and prevention of irregularities in the implementation of the Law and to the improvement of the internal system for detecting suspicious transactions and persons, as referred to in Article 42 of this Law. (3) The Minister of Finance may issue a rulebook to prescribe more detailed internal auditing rules. Credit Institution Act (2008) puts high standards procedures in place as eligibility in regard to the responsible persons of the legal entities, members of the board and person who puts application to acquire a qualifying holding of financial institution (not being convicted for crime from the list and having a "good reputation"). Similar provision is contained in the Capital Market Law (2008) asking for "good reputation" of the members of the board. Credit Institution Act (Official Gazette "Narodne novine" No. 117/2008, published on October 13th 2008, entered into force on January 1st 2009, further on: Act) governs the conditions for the establishment, operation and dissolution of credit

	institutions with registered offices in the Republic of Croatia, as well as the conditions under which legal persons with registered offices outside the Republic of Croatia may provide banking and other financial services in the Republic of Croatia. Article 45 Para 1 item 7 of the Act, defines the eligibility for management board membership. Furthermore, Article 35 of the Act defines the eligibility for a natural person who puts application to acquire a qualifying holding. In both cases natural person shall meet the criterion that it has not been convicted by a final judgment of a crime against the values protected by international law or one of the following crimes: - against the payment system and the security of its operations; - relating to the authenticity of documents; - relating to breaches of official duties; - relating to disclosure of a state secret; - relating to money laundering or - relating to terrorist financing. Additionally, one of the eligibility criteria for management board membership is a good reputation (Article 45, Para 1, item 6 of the Act) more detailed determined in Article 3, Para 2, item 2 and 3 of the Decision on the Conditions and the Procedure for Granting Prior Approval of the Croatian National Bank for the Appointment of a Chairperson or a Member of the Management Board (Official Gazette "Narodne novine" No. 1/2009). In accordance with the Decision, a person is considered to have a good reputation provided that: • he has not been convicted by a final judgment of one or more crimes referred to in Article 239, Para 2 of the Act on Companies and Article 45, Para 1, item 7 of the Act; or if he is a non-resident, that he has not been convicted by a final judgement of one or more crimes which by definition correspond to these crimes; and • he is not subject to investigation or criminal proceedings for a crime prosecuted *ex officio*. Furthermore, pursuant to the Article 46 Para 5 of the Act, Croatian National Bank obtains proof from the criminal history records of the Ministry of Justice that the domestic natural person has not committed a crime. If a applicant for a chairperson or a member of the management board is a foreign citizen, pursuant to the Article 4 Para 2 item 4 of the Decision, an application for the prior approval of the Croatian National Bank for the appointment of the chairperson or the member of the management board shall be accompanied by criminal history records for the criminal offences that in their description correspond to the criminal offences described in Article 45 Para 1 item 7 of the Act and Article 239 Para 2 of the Act on Companies, which shall not be older than 3 months. For an acquirer of a qualifying holding that is a legal person, according to the Article 35, Para 1, item 1 under i) of the Act, an application to acquire a qualifying holding shall be accompanied by proof that the acquirer has not committed a crime. Furthermore, pursuant to the Para 2, by way of derogation from Para 1, item 1 under i) and item 2 under c) of the same Article, the Croatian National Bank shall obtain proof from the criminal history records of the Ministry of Justice that the domestic natural or legal person has not committed a crime. An additional protective mechanism against unwanted acquirers is provided in Article 35, Para 1, item f) of the Act, which prescribes that, in addition to the application for granting the approval for an acquirer of a qualifying holding that is a legal person, an evidence should be enclosed on the availability of funds for the acquisition of a qualifying holding and a description of the method or source of

	financing. In other words, the Croatian National Bank examines in detail, as a part of the licensing procedure, the origin of capital intended for the acquisition of a qualifying holding in credit institutions. *REMARK:* • LICENSING OF THE AUTHORIZED EXCHANGE OFFICES - The fulfillment of eligibility criteria in order to get a license to conduct exchange transactions consists of condition that qualified owners and members of management board of exchange offices should be persons with no history of criminal offence against the values protected by international law, payment transactions and operations security, document authenticity or of criminal offences as defined in Foreign Exchange Act; is already detailed described in Third round detailed assessment report on Croatia, adopted by MONEYVAL at its 26th plenary session in March 2008.
Measures taken to implement the recommendations since the adoption of the first progress report	Credit institutions are obliged in accordance with the provisions of Article 183 of the Credit Institutions Act to organize an internal audit function as a separate organizational unit, functionally and organizationally independent of the activities it audits and other organizational units of credit institutions. Also, in accordance with the provisions of Article 50 of the AMLFT Law credit institutions are obliged to ensure that the internal audit function carries out at least annually the audit of the performance of the tasks of preventing money laundering and terrorist financing. On-site supervision of credit institutions determined that all credit institutions had organized the internal audit function in accordance with the provisions of the Credit Institutions Act, however, it was established that one credit institution that had been an object of supervision in this period did not secure the fulfillment of the provisions of Article 50 of the AMLFT Law, and in 2010 did not conducted the audit of performing the tasks of money laundering prevention and terrorist financing. The same credit institution received recommendation to carry out, as soon as possible, the audit of performing the task of preventing money laundering and terrorist financing and noncompliance with the provisions of Article 50 of the AMLFT Law has been characterized as a violation of the AMLFT Law. HANFA's Guidelines Chapter IX. Internal audit deals with the above mentioned subject/issue.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 16 (DNFBP – R.13-15 & 21)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*The discrepancy between the AML Law, the Penal Code, the Public Notaries Act and the "Act on the Responsibility of Legal Persons for the Criminal Offences" concerning the protection of lawyers and notaries from criminal or civil liability for reporting their suspicions in good faith should be remedied.*
Measures reported as of 18 March 2009 to	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and

implement the Recommendation of the report	correcting the deficiencies. Protection of lawyers and notaries from criminal or civil liability for reporting their suspicions in good faith is clear. **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the **reporting entities referred to in Article 4, paragraph 2** of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law **shall not represent the disclosure of classified data**, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The **reporting entities referred to in Article 4, paragraph 2** of this Law and their employees **shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide*** in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 1. supply the Office with data, information and documentation on their customers; 2. collect and process customer data, information and documentation; 3. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 4. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the **reporting entities referred to in Article 4, paragraph 2** of this Law **may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret** if: 1. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; 2. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce clear safe harbour provisions for lawyers and notaries to protect them from criminal or civil liability for reporting their suspicions in good faith.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Protection of lawyers and notaries from criminal or civil liability for reporting their suspicions in good faith is clear. **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the **reporting entities referred to in Article 4, paragraph 2** of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data,

	information and documentation to the Office on the basis of this Law **shall not represent the disclosure of classified data**, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The **reporting entities referred to in Article 4, paragraph 2** of this Law and their employees **shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide*** in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 1. supply the Office with data, information and documentation on their customers; 2. collect and process customer data, information and documentation; 3. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 4. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the **reporting entities referred to in Article 4, paragraph 2** of this Law **may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret** if: 1. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*For lawyers, public notaries and accountants specific "tipping off" provisions should be introduced.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In July 2007 new Law on Data Secrecy came into force defining all secret data received and used for the needs of official bodies as "classified" with relevant level of secrecy. The AMLFT Law, in accordance with this Law, states that information on specific AMLO activities and information collected according to the AMLFT Law linked with money laundering or terrorist financing shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. Tipping off of this classified data does not present a misdemeanour and it is not prescribed as such by the AMLFT Law, but unauthorised disclosure of official secret and criminal activity punished by the Criminal Code. Taking into account that the Criminal Code defines an official secret as an information received and used for the needs of official bodies, and considering that "classified data" presents official secret, recent changes of the same Law (December 2008) find no need to change this definition, and tipping off by the relevant legal interpretation presents a criminal offence of "Disclosure of an Official Secret" of the Criminal Code, punishable by 1 - 10 years imprisonment.
Measures taken to implement the recommendations since the adoption	See reply above.

of the first progress report	
Recommendation of the MONEYVAL Report	*The head of compliance should be at management level and adequately resourced, including screening procedures for employees who work for the responsible person or chief compliance officer.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	By the interpretation of the new AMLFT Law, management level of the some DNFBPs (lawyers, notaries, auditors etc.) presents level responsible for compliance. According to the AMLFT Law, Art. 55, the persons involved in the performance of professional activities (lawyers, notaries, auditors etc.) shall not be obliged to appoint authorised persons and authorised person's deputy. Furthermore, according to the Art. 44, should the reporting entity referred to in Article 4, paragraph 2 (all reporting entities including DNFBPs) of the Law fail to appoint an authorised person, the reporting entity's legal representative or other person in charge or running the arrangements of the reporting entity, i.e. the reporting entity's compliance officer as per legal regulations shall be deemed the authorised person. Other compliance officer's provisions adequately applied.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*DNFBP should give special attention to business relationships and transactions with persons or entities from or in countries which do not or insufficiently apply the FATF Recommendations.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	According to the AMLFT Law, the AMLO is informing the reporting entities by guidelines on regular basis on countries that are known as risk regarding the lack of the AML/CFT measures, which are subject of FATF and MONEYVAL public statements, requesting the use of enhanced CDD. Reporting entities are also requested to periodically review FATF and MONEYVAL web pages additionally. Guidelines are sent to the relevant supervisory authorities and professional associations to be adequately distributed. It is obligatory for reporting entities. Guidelines are made upon Art. 88, Art. 7, Para. 3, and Art. 30, Para. 3. **AMLFT Law:** **Assessment of Money Laundering or Terrorist Financing Risks** **Article 7** (2) Reporting entities shall be obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing. (3) **Reporting entities shall undertake to align the risk analysis and assessment referred to in paragraph 2 with the guidelines to be passed by the competent supervisory bodies** referred to in Article 83 of this Law in line with the powers vested in them. **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law **to be able to uniformly apply the provisions contained in this Law** and the regulations passed on the basis of this Law, **the supervisory bodies** referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other

	supervisory bodies **issue recommendations or guidelines** relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law **Article 30** (3) The reporting entity **may apply an enhanced customer due diligence** measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or **might exist a great degree of money laundering or terrorist financing risk**, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer. So, pursuant to the new AMLFT Law, all reporting entities listed within the Article 4, Para 2, it means also reporting entities from the DNFB sector shall be obliged to fulfil criterions of the FATF Recommendation 16, namely 13 (13.1.-13.4.), 15 and 21. Additionally: **Article 31 of the AML/CFT Law;** **Correspondent Relationships with Credit Institutions from Third Countries** (1) At establishing a correspondent relationship with a bank or other credit institution seated in a third country, the reporting entity shall be obliged to conduct measures referred to in Article 8, paragraph 1 within the framework of enhanced customer due diligence and additionally gather the following data, information and documentation: 1. date of issuance and validity period of license for the performance of banking services, as well as the name and seat of the competent third country license issuing body; 2. description of the implementation of internal procedures relative to money laundering and terrorist financing prevention and detection, notably the procedures of customer identify verification, beneficial owners identification, reporting the competent bodies on suspicious transactions and customers, keeping records, internal audit and other procedures the respective bank, i.e. other credit institution passed in relation with money laundering and terrorist financing prevention and detection; 3. description of the systemic arrangements in the field of money laundering and terrorist financing prevention and detection in effect in the third country in which the bank or other credit institution has its seat or in which it was registered; 4. a written statement confirming that the bank or other credit institution does not operate as a shell bank; 5. a written statement confirming that the bank or other credit institution neither has business relationships with shell banks established nor does it establish relationships or conduct transactions with shell banks; 6. a written statement confirming that the bank or other credit institution falls under the scope of legal supervision in the country of their seat or registration, and that they are obliged to apply legal and other regulations in the field of money laundering and terrorist financing prevention and detection in keeping with the effective laws of the country. (2) A reporting entity's employee involved in establishing correspondent relationships referred to in paragraph 1 of this Article and running the enhanced customer due diligence procedure shall be obliged to obtain a written consent from

	the superior responsible person of the reporting entity prior to the establishment of the business relationship. (3) The reporting entity shall gather data referred in paragraph 1 of this Article through the examination of public or other available records, i.e. through the examination of documents and business documentation supplied by a bank or other credit institution seated in a third country. (4) The reporting entity shall not be permitted to establish or to extend a correspondent relationship with a bank or other credit institution seated in a third country should: 1. the reporting entity fail to first gather data referred to in paragraph 1, items 1, 2, 4, 5 and 6 of this Article; 2. the employee fail to first obtain written consent from the superior responsible person of the reporting entity for the purposes of establishing a correspondent relationship; 3. the bank or other credit institution seated in a third country be without a money laundering and terrorist financing prevention and detection system in place or if the laws of the third country in which the said institutions shall be seated or registered shall not require the institutions to apply legal and other adequate regulations in the field of money laundering and terrorist financing prevention and detection; 4. the bank or other credit institution seated in a third country operate as a shell bank, i.e. if it establishes correspondent or other business relationships and conducts transactions with shell banks. The Financial Inspectorate (FI) incorporated into the Guidance for reporting entities from the DNFBP sector (Guidance for auditors, accountants and tax advisers have been distributed to the industry and published on the website of the Ministry of Finance and Guidance for lawyers, law firms and notaries are under preparation) as well as into the Manual for supervision which is to be used by the inspectors of the FI during the supervision, paragraph titled "Risk assessment". Within this paragraph, risk based approach has been explained to reporting entities and inspectors into more details. Within the part on different type of risk according to the geographical characteristics, it is stated that clients should be considered as a high risk if they are from the countries which do not or insufficiently apply the FATF recommendations and which are identified as non-cooperative by the Financial Action Task Force on Money Laundering (FATF).
Measures taken to implement the recommendations since the adoption of the first progress report	The Financial Inspectorate (FI) incorporated into the Guidance for reporting entities from the DNFBP sector (Guidance for auditors, accountants and tax advisers and Guidance for lawyers, law firm and notaries public that both have been distributed to the industry and published on the website of the Ministry of Finance) as well as into Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures, a paragraph titled "Risk assessment". Within this paragraph, risk based approach has been explained to reporting entities and inspectors into more details. Within the part on different type of risk according to the geographical characteristics, it is stated that clients should be considered as a high risk if they are from the countries which do not or insufficiently apply the FATF recommendations and which are identified as non-cooperative by the Financial Action Task Force on Money Laundering (FATF).
(Other) changes since the first progress report	Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities in which it also incorporated a paragraph titled "Risk assessment".

(e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Within this paragraph, risk based approach has been explained to reporting entities and inspectors into more details. Within the part on different type of risk according to the geographical characteristics, it is stated that clients should be considered as a high risk if they are from the countries which do not or insufficiently apply the FATF recommendations and which are identified as non-cooperative by the Financial Action Task Force on Money Laundering (FATF).

Recommendation 17 (Sanctions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The AML Law should provide a clear legal basis for sanctions concerning infringements in the context of terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the Law refers to "ML and/or FT", Article 1 additionally states "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing". Penal provisions prescribed by the AMLFT Law made clear basis for both, ML/FT areas infringement.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Concerning directors or senior management a sanctioning regime for violations of AML/CFT obligations should be introduced.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	There are more than 50 misdemeanour offences prescribed and fined up to 700.000 HRK (cca 100.000€) which can be imposed for the infringements on: - legal persons: legal person, members of management board or other legal person's responsible person, a natural person craftsman or a natural person involved in other independent business activity - a responsible person in a state administration body or in a local and regional self-government unit
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce a broader range of dissuasive and proportionate sanctions with regard to the examples provided for by criterion 17.4.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	There are more than 50 misdemeanour offences prescribed and fined up to 700.000 HRK (cca 100.000€) which can be imposed for the infringements on: - legal persons: legal person, members of management board or other legal person's responsible person, a natural person craftsman or a natural person involved in other independent business activity - a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services - a responsible person in a state administration body or in a local and regional self-

	government unit - In instances when a special law shall envisage the issuance of an approval for the performance of certain arrangements (licence), the competent body shall be entitled to recall the approval for the performance of such arrangements from legal or natural persons.
Measures taken to implement the recommendations since the adoption of the first progress report	Besides above mentioned reply, laws governing the work of each supervisory body prescribe the whole range of different sanctions. The Financial Inspectorate Act, Article 17 (1) The Financial Inspectorate, in compliance with the provisions of this Act, shall be permitted to apply the following supervisory measures to subjects of supervision: 1. to issue a written warning to eliminate irregularities, 2. to order the elimination of illegalities and irregularities, 3. to propose the suspension of the implementation of financial transactions and the freezing of financial assets, 4. temporarily to prohibit the undertaking of specific business activities, pursuant to the authorities that issue from the Minor Offence Act, 5. to propose the revocation of authorization to work. (2) The measures from Paragraph 1 of this Article shall be imposed by the Financial Inspectorate upon subjects of supervision by the application of the principle of proportionality. Croatian sanctioning regime related to AML/CFT is not based only on the AMLFT Law, but covers two sectoral laws: the Act on Amendments of the Foreign Exchange Act and the new PSA. Pursuant to the provisions of the Act on Amendments to the Foreign Exchange Act (Official Gazette "Narodne novine" No. 145/2010) which entered into force on 1st of January 2011, in order to get a licence to perform foreign exchange transactions additional data should be provided related to the evidence that the applicant have not been convicted abroad for offences meeting the description of criminal offences against the values protected by international law, regarding payment transactions and operations security, document authenticity (referring to chapters 13, 21 and 23 of the Criminal Code) or of criminal offences as defined in the Foreign Exchange Act. Furthermore, if an applicant is a legal person than the fit and proper criteria refers to the executive director of a joint stock company that has a management board or procurator. The relevant provisions of **the new PSA**, which entered into force on January 1st 2011, are following: **Application for authorization to provide payment services** Article 69 (1) A payment institution shall submit an application for authorization to provide payment services to the Croatian National Bank. (2) The application shall be accompanied with the following: ... 7. a description of the internal control mechanism put in place by the payment institution in order to comply with the requirements **arising from the regulations governing the prevention of money laundering and terrorist financing**; ... **Granting authorization to provide payment services** Article 70 (1) The Croatian National Bank shall grant authorization to provide payment

	services provided that it assesses from the application referred to in Article 69 of this Act and available information that all of the following conditions are met: 1) in view of the need to ensure the sound and prudent management of the payment institution, the holder of a qualifying holding is suitable, especially with respect to the financial strength and good reputation; 2) the person proposed to be a member of the management board or executive director of the payment institution, where it does not also perform the activities referred to in Article 68, item (3) of this Act, has a good reputation and the skills and experience required for the provision of payment services; 3) where the payment institution, apart from the provision of payment services, also performs the activities referred to in Article 68, item (3) of this Act, the person responsible for managing operations related to the provision of payment services has a good reputation and the skills and experience required for the provision of payment services; 4) the payment institution is organized in accordance with this Act, that is, the conditions for the operation of a payment institution laid down in this Act or in regulations adopted under this Act are established; 5) the provisions of the Articles of Association or any other relevant legal act of the payment institution comply with the provisions of this Act and regulations adopted under this Act; 6) where it assesses that, in view of the need to ensure the sound and prudent management of the payment institution, this institution has put in place effective and sound governance arrangements comprising a clear management framework with well-defined, transparent and consistent lines of powers and responsibilities, effective procedures for establishing, managing, monitoring and reporting on all the risks to which the payment institution is or might be exposed, and an adequate internal control mechanism, which includes appropriate administrative and accounting procedures, and that the said governance arrangements, internal control mechanism and administrative and accounting procedures are comprehensive and proportionate to the nature, scope and complexity of the payment services provided; and 7) the head office of the payment institution is in the Republic of Croatia. (2) Prior to granting authorization to provide payment services, the Croatian National Bank may consult with other competent authorities in order to make a better assessment of the submitted application. **Withdrawal of authorization to provide payment services** Article 73 (1) The Croatian National Bank shall withdraw authorization to provide payment services: ... 5) where a payment institution no longer meets the conditions under which authorization has been granted. Concerning the reporting entities supervised by Tax Administration, pursuant to Article 32 of the Act on Games of Chance a gaming concession may be revoked. Article 32: (1) The Government of the Republic of Croatia may, upon proposal by the Ministry of Finance, decide to revoke a gaming concession where it determines that:

	1. The concession was obtained based on inaccurate information, 2. The operator is breaching the contractual provisions, 3. The operator fails to perform the obligations from this Act or contract within specified terms, 4. The operator discloses false information on turnover, 5. The operator fails to start the operations within the specified term, 6. The operator started its operations before obtaining an authorisation from the Ministry of Finance, 7. The operator fails to fulfil the prescribed technical requirements, 8. The operator does not possess a bank guarantee in the defined amount, 9. The operator breaches the rules of the games of chance, 10. The operator does not permit or otherwise makes impossible the implementation of control stipulated by this Act, 11. The operator lends money to players, 12. The operator ceased organising games of chance without an authorisation from the Ministry of Finance, 13. The operator changed its corporate ownership structure without an authorisation from the Ministry of Finance, 14. The operator fails to proceed in compliance with the laws and regulations pertaining to the prevention of money laundering and terrorism financing, 15. Circumstances have occurred due to which the operator would not have obtained the concession. (2) By adopting the decision from paragraph 1 of this Article, the concession contract shall be deemed terminated. Any and all rights acquired by the decision on the concession shall cease to be valid upon adoption of the decision by the Government of the Republic of Croatia on its revocation. (3) In case of a revocation of the gaming concession from paragraph 1 of Article 23 of this Act, the Ministry of Finance shall be entitled to recover any damage caused by the operator, in compliance with the obligations from Article 34 of this Act. Pursuant to the Act on Games of Chance and the previous Act on Operating Games of Chance and Lottery Games ("OG" 83/02), since 2002 the Ministry of Finance has revoked 5 gaming concessions for casinos. For two casinos gaming concession was revoked because of illegalities in the work, for other two casinos because of failure to fulfil the conditions prescribed by the Law, and for one casino because it failed to submit the bank guarantee in due time. For two casinos gaming concession was not extended because the operator did not fulfil its obligations laid down by the Law or a concession contract in the prescribed time limits. Also, a concession for organizing betting games was revoked for six betting shops. One betting shop has stopped receiving payments and initiated bankruptcy proceedings, for two betting shops a gaming concession was revoked because they did not submit new bank guarantees, two because they did not meet their obligations within the prescribed deadlines, and one for not having the conditions for work – operating server was located in Malta, not in the Republic of Croatia.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant	

initiatives	
Recommendation 18 (Shell banks)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatia should create a specific provision that will prohibit financial institutions from entering into or continuing correspondent banking relationship with shell banks. In addition, there should be an obligation placed on financial institutions to satisfy themselves that a respondent financial institution in a foreign country is not permitting its accounts to be used by shell banks.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Pursuant to Article 65 item 6 of the Credit Institution Act, the Croatian National Bank shall refuse an application for authorisation if it is evident that the credit institution would neither have physical presence in the Republic of Croatia nor would its business be directed from the territory of the Republic of Croatia (shell bank). Furthermore, Article 38 of the Anti Money Laundering and Terrorist Financing Law prescribes prohibition of doing business with shell banks**.** The reporting entities shall be prohibited from establishing or continuing correspondent relationships with a bank which operate or could operate as a shell bank or with other similar credit institutions known to enter into agreements on opening and keeping accounts with shell banks. Additionally, according to Article 31 of the Anti Money Laundering and Terrorist Financing Law**,** at establishing a correspondent relationship with a bank or other credit institution seated in a third country, the reporting entity shall, within the framework of enhanced CDD measures, be obliged to conduct measures referred to in Article 8, Para 1 and additionally gather the following data, information and documentation: 1. a written statement confirming that the bank or other credit institution does not operate as a shell bank; 2. a written statement confirming that the bank or other credit institution neither has business relationships with shell banks established nor does it establish relationships or conduct transactions with shell banks; Pursuant to Para 4 of the relevant article, the reporting entity shall not be permitted to establish or to extend a correspondent relationship with a bank or other credit institution seated in a third country should the bank or other credit institution seated in a third country operate as a shell bank, i.e. if it establishes correspondent or other business relationships and conducts transactions with shell banks. **AMLFT Law:** **Prohibition of Doing Business with Shell Banks** **Article 38** The reporting entities shall be prohibited from establishing or continuing correspondent relationships with a bank which operate or could operate as a shell bank or with other similar credit institutions known to enter into agreements on opening and keeping accounts with shell banks.
Measures taken to implement the recommendations since the adoption of the first progress report	While performing on-site supervision of credit institutions it was determined that credit institutions did not establish or continue a correspondent relationship with shell banks or other similar credit institutions known to enter into agreements on opening and keeping accounts with shell banks.
(Other) changes since the first progress report	

(e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 20 (Other DNFBP and secure transaction techniques)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatia should conduct an analysis of which non-financial businesses and professions (other than DNFBP) are at risk of being misused for money laundering or terrorist financing. This sector should be kept under review to ensure that all non-financial businesses and professions that are at risk of being misused for the purposes of money laundering or terrorist financing are regularly considered for coverage in the AML Law.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	In July 2008, the Republic of Croatia enacted a new AML/CFT Law. This Law entered into force on January 1st, 2009. According to the AML/CFT Law, Article 4, item (2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be (among the others): 13. Organizers of games of chance: a)lottery games, b)casino games, c)betting games, d)slot-machine gaming, e)games of chance on the Internet and via other telecommunications means, i.e. electronic communications; 14. pawnshops; 15. legal and natural persons performing business in relation to the activities listed hereunder: j)trusts or company service providers, k)trading precious metals and gems and products made of them, l)trading artistic items and antiques, m) organising or carrying out auctions, n)real-estate intermediation. 16. legal and natural persons performing matters within the framework of the following professional activities: a)lawyers, law firms and notaries public, b)auditing firms and independent auditors, c)natural and legal persons performing accountancy and tax advisory services It means that the whole DNFBP sector, as well as non-financial business and professions other than DNFBP became reporting entities according to the new AML/CFT Law. Croatia introduced measure recommended by criterion 20.2 for all legal and natural persons who shall receive cash through the specific transactions during the performance of their registered business activities, covering DNFBPs as stated in criterion 20.1. by reducing cash operations. **Restrictions in Cash Operations** **Article 39** (1) Cash collections exceeding the amount of HRK 105,000.00 shall not be permitted in the Republic of Croatia, i.e. in the arrangements with non-residents valued in excess of EUR 15,000.00 at:

	- selling goods and rendering services; - sales of real-estate; - receiving loans; - selling negotiable securities or stakes. (2) The limitation of receiving cash payments referred to in paragraph 1 of this Article shall also be in effect in instances when the payment with the said transaction shall be conducted in several interrelated cash transactions jointly exceeding HRK 105,000.00, i.e. a value of EUR 15,000.00. (3) The cash collection limitation shall pertain to all legal and natural persons who shall receive cash through the said transactions during the performance of their registered business activities. (4) The collections exceeding the amounts prescribed in paragraphs 1 and 2 of this Article must be conducted via non-cash means through a bank account, unless provided for otherwise in another law. The Ministry of Finance is in the process of enacting a new Ordinance on the Internal Structure and new Systematization of working places. In accordance with the foregoing, a new Department for risk assessment, planning and IT system is going to be established within the Financial Inspectorate. Duties of above mentioned Department (among the others) : a. development and improvement of ML/TF risk assessment system for reporting entities in order to identify subjects who are or might be exposed to higher risk of abuse in relation with ML/TF and other illegal activities during the performance of their business b. coordination and establishing strategic and annual supervisory plans (using the results of risk assessment) Therefore, a duty of the mentioned Department is to determine a level of ML/TF risk to which particular DNFBP has been exposed. Depending of the assessed level of risk (and risk degree) related to their business, companies and professions are going to be adequately supervised by the FI. It is important to stress that the FI requested the World Bank technical assistance. Among the others, FI sought for help in drafting risk matrix (for ML/TF risk assessment) as well as for help in organizing and establishing risk assessment principles. Furthermore, employees of the FI are going to participate in international training programs for risk assessment and risk analysis (as a part of educational plan for 2009)
Measures taken to implement the recommendations since the adoption of the first progress report	Financial Inspectorate finalised a technical assistance project with the IMF which resulted in Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of anti-money laundering and terrorist financing measures and draft of the General Guidance for reporting entities. Also, FI established sectoral risk matrix and assessed risk for each sector of reporting entities.
Recommendation of the MONEYVAL Report	*Croatia should consider developing a strategy on the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Almost all transactions (99%) carried out by financial institutions in the HANFA's jurisdiction are done without cash i.e through a secure non-cash payment system of banks in Croatia. Additionally, cash operations in Croatia are reduced (see previous).
Measures taken to	

implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 21 (Special attention for higher risk countries)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*In the case of all transactions (with persons from or in countries which do not or insufficiently apply FATF Recommendations) which have no apparent economic or visible lawful purpose, financial institutions should be required* • *to examine the background and purpose of such transactions and* • *set out their findings in writing and to make them available to the competent authorities*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	According to the AMLFT Law, the AMLO is informing the reporting entities by guidelines on regular basis on countries that are known as risk regarding the lack of the AML/CFT measures, which are subject of FATF and MONEYVAL public statements, requesting the use of enhanced CDD. Reporting entities are also requested to periodically review FATF and MONEYVAL web pages additionally. Guidelines are sent to the relevant supervisory authorities and professional associations to be adequately distributed. It is obligatory for reporting entities. Guidelines are made upon Art. 88, Art. 7, Para. 3, and Art. 30, Para. 3. **AMLFT Law:** **Assessment of Money Laundering or Terrorist Financing Risks** **Article 7** (2) Reporting entities shall be obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing. (3) **Reporting entities shall undertake to align the risk analysis and assessment** referred to in paragraph 2 **with the guidelines to be passed by the competent supervisory bodies** referred to in Article 83 of this Law in line with the powers vested in them. **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other **supervisory bodies issue recommendations or guidelines** relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law

	Article 30 (3) The reporting entity **may apply an enhanced customer due diligence** measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or **might exist a great degree of money laundering or terrorist financing risk**, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer. Additionally, there is general obligation for monitoring of all transactions which have no apparent economic or visible lawful purpose: **Complex and Unusual Transactions** **Article 43** (1) The reporting entities shall be obliged to pay a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without an apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions. (2) Concerning the transactions referred to in paragraph 1 of this Article, **the reporting entities shall be obliged to analyse the background and purpose of such transactions, and to make a written record of the analysis results to be available at the request of the Office and other supervisory bodies** referred to in Article 83 of this Law. (3) By way of derogation from the provisions contained in paragraphs 1 and 2 of this Article, should the reporting entities detect suspicion of money laundering or terrorist financing they shall be obliged to observe the provisions of Article 42of this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	**Country Risk** Pursuant to the Item 6.6 of the CNB´s guidelines, customers that represent a high risk shall be customers that have permanent residence or seat in the following countries: 1. countries subject to sanctions, embargoes or similar measures issued by the United Nations; 2. countries identified by credible sources as: (a) lacking appropriate laws, regulations and other measures for prevention of money laundering and terrorist financing; (b) providing funding or support for terrorist activities and that have designated terrorist organizations operating within them; (c) having significant levels of corruption, or other criminal activity; 3. countries which are not Member States of the European Union or signatories of the Agreement on the European Economic Area but do not qualify as equivalent third countries; 4. countries which according to the FATF data belong to non-cooperative countries or territories or in case of Offshore Financial Centers are on the list supplied by the Office for Money Laundering Prevention. As regards information on higher risk countries or non-cooperative countries or territories that do not meet key international standards for the prevention of money laundering or terrorist financing, we advise you to consult the official web sites of: MONEYVAL, www.coe.int/t/dghl/monitoring/moneyval, and FATF, www.fatf-gafi.org. According to the penal provisions of the AMLFT Law, Article 90, for the infringement of failure to make the risk analysis and assessment compliant with

	guidelines of the competent supervisory body, a pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons.
Recommendation of the MONEYVAL Report	*Mechanisms need to be considered to apply appropriate counter measures where a country continues not to apply or insufficiently applies FATF Recommendations.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	According to the AMLFT Law, the AMLO is informing the reporting entities by guidelines on regular basis on countries that are known as risk regarding the lack of the AML/CFT measures, which are subject of FATF and MONEYVAL public statements, requesting the use of enhanced CDD. Reporting entities are also requested to periodically review FATF and MONEYVAL web pages additionally. Guidelines are sent to the relevant supervisory authorities and professional associations to be adequately distributed. It is obligatory for reporting entities. Guidelines are made upon Art. 88, Art. 7, Para. 3, and Art. 30, Para. 3. **AMLFT Law:** **Assessment of Money Laundering or Terrorist Financing Risks** **Article 7** (2) Reporting entities shall be obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing. (3) **Reporting entities shall undertake to align the risk analysis and assessment** referred to in paragraph 2 **with the guidelines to be passed by the competent supervisory bodies** referred to in Article 83 of this Law in line with the powers vested in them. **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other **supervisory bodies issue recommendations or guidelines** relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law **Article 30** (3) The reporting entity **may apply an enhanced customer due diligence** measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or **might exist a great degree of money laundering or terrorist financing risk**, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws,	

draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 22 (Foreign branches and subsidiaries)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatian authorities should implement an explicit obligation to require financial institutions to ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with the Croatian requirements and FATF Recommendations. Croatia should amend Art. 2 para 2 of the AML Law and make it fully consistent with the requirements of Recommendation 22.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Obligation of reporting entities concerning the implementation of money laundering and terrorist financing prevention and detection measures in business units and companies seated in third countries in majority ownership or with predominant decision-making rights exercised by the reporting entities** **Article 5** (1) Reporting entities shall be obliged to ensure that money laundering and terrorist financing prevention and detection measures as prescribed by this Law are applied within the equal scope in their business units and companies in their majority ownership or with predominant decision-making rights, seated in a third country, unless such a course of action would be in direct contradiction to the legal regulations of the third country. (2) Where the legislation of the third country does not permit the application of the money laundering and terrorist financing prevention and detection measures within the scope prescribed by this Law, the reporting entities shall be obliged to inform the Office of the matter without any undue delay and to institute adequate measures for the elimination of the money laundering or terrorist financing risk. (3) Reporting entities shall be obliged to regularly inform their business units and companies in their majority ownership or in which they shall have predominant decision-making rights, seated in a third country, of internal procedures pertinent to money laundering and terrorist financing prevention and detection, especially in terms of customer due diligence, supply of data and information, keeping records, internal control and other significant circumstance related with the money laundering and terrorist financing prevention and detection.
Measures taken to implement the recommendations since the adoption of the first progress report	While performing on-site supervision of credit institutions it was determined that credit institutions are aware of the provisions of Article 5 of the AMLFT Law, in accordance with which they are obliged to ensure that measures for preventing money laundering and terrorist financing are applied within the equal scope in their business units and companies in their majority ownership or with predominant decision-making rights, seated in a third country. In spite of that fact, the CNB issued in a given period a recommendation to a certain credit institution to review the system of money laundering prevention and terrorist financing established in a

	credit institution in which the above mentioned credit institution has a 100% ownership.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to inform their home country supervisor when a foreign subsidiary or branch is unable to observe appropriate AML/CFT measures.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Obligation of reporting entities concerning the implementation of money laundering and terrorist financing prevention and detection measures in business units and companies seated in third countries in majority ownership or with predominant decision-making rights exercised by the reporting entities** **Article 5** (1) Reporting entities shall be obliged to ensure that money laundering and terrorist financing prevention and detection measures as prescribed by this Law are applied within the equal scope in their business units and companies in their majority ownership or with predominant decision-making rights, seated in a third country, unless such a course of action would be in direct contradiction to the legal regulations of the third country. (2) Where the legislation of the third country does not permit the application of the money laundering and terrorist financing prevention and detection measures within the scope prescribed by this Law, the reporting entities shall be obliged to inform the Office of the matter without any undue delay and to institute adequate measures for the elimination of the money laundering or terrorist financing risk. (3) Reporting entities shall be obliged to regularly inform their business units and companies in their majority ownership or in which they shall have predominant decision-making rights, seated in a third country, of internal procedures pertinent to money laundering and terrorist financing prevention and detection, especially in terms of customer due diligence, supply of data and information, keeping records, internal control and other significant circumstance related with the money laundering and terrorist financing prevention and detection.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	FI draft General Guidance: Reporting entities shall ensure that the internal procedures are communicated to majority-owned subsidiaries. To be effective in meeting this requirement reporting entities must ensure that the money laundering and terrorist financing prevention and detection measures are applied with equal scope in their business units and majority-owned subsidiaries, seated in a third country and that they regularly inform their business units and majority-owned subsidiaries seated in a third country on internal procedures pertinent to money laundering and terrorist financing prevention and detection.

Recommendation 23 (Regulation, supervision and monitoring)

Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*A clear legal basis to cover CFT in the course of supervision should be introduced.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the Law refers to "ML and/or FT", Article 1 additionally states "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing". There is a clear legal base.
Measures taken to implement the recommendations since the adoption of the first progress report	The Provisions of HANFA's Guidelines are equally applicable for AML and TF. The Provisions of CNB's Guidelines are equally applicable for AML and TF. The Provisions of FI draft General Guidelines are equally applicable for AML and TF.
Recommendation of the MONEYVAL Report	*For all types of financial institutions legislation should be introduced preventing all criminals and their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Credit Institution Act (Official Gazette "Narodne novine" No. 117/2008, published on October 13th 2008, entered into force on January 1st 2009, further on: Act) governs the conditions for the establishment, operation and dissolution of credit institutions with registered offices in the Republic of Croatia, as well as the conditions under which legal persons with registered offices outside the Republic of Croatia may provide banking and other financial services in the Republic of Croatia. Article 45 Para 1 item 7 of the Act, defines the eligibility for management board membership. Furthermore, Article 35 of the Act defines the eligibility for a natural person who puts application to acquire a qualifying holding. In both cases natural person shall meet the criterion that it has not been convicted by a final judgment of a crime against the values protected by international law or one of the following crimes: - against the payment system and the security of its operations; - relating to the authenticity of documents; - relating to breaches of official duties; - relating to disclosure of a state secret; - relating to money laundering or - relating to terrorist financing. Additionally, one of the eligibility criteria for management board membership is a good reputation (Article 45, Para 1, item 6 of the Act) more detailed determined in Article 3, Para 2, item 2 and 3 of the Decision on the Conditions and the Procedure for Granting Prior Approval of the Croatian National Bank for the Appointment of a Chairperson or a Member of the Management Board (Official Gazette "Narodne novine" No. 1/2009). In accordance with the Decision, a person is considered to have a good reputation provided that: • he has not been convicted by a final judgment of one or more crimes referred to in Article 239, Para 2 of the Act on Companies and Article 45, Para 1, item 7 of the Act; or if he is a non-resident, that he has not been convicted by a final judgement of one or more crimes which by definition correspond to these crimes; and • he is not subject to investigation or criminal proceedings for a crime prosecuted *ex officio*. Furthermore, pursuant to the Article 46 Para 5 of the Act, Croatian National Bank

	obtains proof from the criminal history records of the Ministry of Justice that the domestic natural person has not committed a crime. If a applicant for a chairperson or a member of the management board is a foreign citizen, pursuant to the Article 4 Para 2 item 4 of the Decision, an application for the prior approval of the Croatian National Bank for the appointment of the chairperson or the member of the management board shall be accompanied by criminal history records for the criminal offences that in their description correspond to the criminal offences described in Article 45 Para 1 item 7 of the Act and Article 239 Para 2 of the Act on Companies, which shall not be older than 3 months. For an acquirer of a qualifying holding that is a legal person, according to the Article 35, Para 1, item 1 under i) of the Act, an application to acquire a qualifying holding shall be accompanied by proof that the acquirer has not committed a crime. Furthermore, pursuant to the Para 2, by way of derogation from Para 1, item 1 under i) and item 2 under c) of the same Article, the Croatian National Bank shall obtain proof from the criminal history records of the Ministry of Justice that the domestic natural or legal person has not committed a crime. An additional protective mechanism against unwanted acquirers is provided in Article 35, Para 1, item f) of the Act, which prescribes that, in addition to the application for granting the approval for an acquirer of a qualifying holding that is a legal person, an evidence should be enclosed on the availability of funds for the acquisition of a qualifying holding and a description of the method or source of financing. In other words, the Croatian National Bank examines in detail, as a part of the licensing procedure, the origin of capital intended for the acquisition of a qualifying holding in credit institutions. *REMARK:* • *LICENSING OF THE AUTHORIZED EXCHANGE OFFICES - The fulfilment of eligibility criteria in order to get a license to conduct exchange transactions consists of condition that qualified owners and members of management board of exchange offices should be persons with no history of criminal offence against the values protected by international law, payment transactions and operations security, document authenticity or of criminal offences as defined in Foreign Exchange Act; is already detailed described in Third round detailed assessment report on Croatia, adopted by MONEYVAL at its 26th plenary session in March 2008.*
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to the provisions of the Act on Amendments to the Foreign Exchange Act (Official Gazette "Narodne novine" No. 145/2010) which entered into force on 1st of January 2011, in order to get a licence to perform foreign exchange transactions additional data should be provided related to the evidence that the applicant have not been convicted abroad for offences meeting the description of criminal offences against the values protected by international law, regarding payment transactions and operations security, document authenticity (referring to chapters 13, 21 and 23 of the Criminal Code) or of criminal offences as defined in the Foreign Exchange Act. Furthermore, if an applicant is a legal person than the fit and proper criteria refers to the executive director of a joint stock company that has a management board or procurator. **For the capital market,** the afore mentioned is regulated by following**:** HANFA issued Ordinance on conditions and content of application for issuing approval for performing functions of a member of the management board of the

	investment firm (OG 09/09). According to Article 5. of the above mentioned Ordinance it shall be considered that person with a good repute is the one who has complete working ability, whose assets are not under open bankruptcy proceedings and who is not guilty under final verdict for criminal offences against values protected by international law or for the following criminal offences**:** - financial instrument market abuse, - concealing money obtained in an illegal manner; - financing terrorism; - against property, where the criminal proceedings are started by official duty, - against safety of the payment system and transactions; - against justice; - against the credibility of the documents; - against the official duty; (2) It shall be considered that person has no good repute if he/she is guilty under final verdict and punished by imprisonment in last 5 years or who is guilty under final verdict and fined in last three years for other criminal offence done with the purpose of obtaining gain. (3) While assessing whether person has good repute or not, the previous results made by professional work and personal integrity of the person shall be taken into account, as well as respect gained in the environment where his/her previous work was aimed at. (4) While assessing whether person has good repute or not, it shall also be taken into account whether the investigation against this person is in progress, or whether criminal proceedings concerning criminal offence where the proceedings are initiated by official duty against this person is in progress HANFA also issued Ordinance on list of documents required for the assessment of the application for granting approval for acquisition of a qualifying holding (OG 05/2009) and according to this Ordinance (Article 3 and 4) each person which intends to acquire the qualifying holding, has to enclose the documents in accordance with the provisions of this Ordinance, along with the application for granting the approval for acquiring a qualifying holding. (1) The following shall be enclosed along with the application for granting approval for acquiring a qualifying holding: 1. when proposed acquirer is legal person: a) excerpt from court or other corresponding register, in original or certified copy, b) statute of the proposed acquirer, i.e. other act where its organizational structure is evident, c) excerpt from register of shareholder or book of shares, in original or certified copy, d) list of natural persons which are ultimate shareholders or owners of business units of the proposed acquirer where the following information are listed: name and surname, address i.e. residence and other identification data, total nominal amount of shares and percentage of initial capital of the proposed acquirer, as well as date referred to in paragraph 1, point 2, subpoints b and c of this Article;

	e) list of persons managing the firm's business activities, f) list of persons which are, within the meaning of the Act, closely related to the proposed acquirer, as well as description of the relationship, g) list of persons which, along with the proposed acquirer, firm the group of related persons, h) financial reports for three last business years, i) audit opinion on financial report for last business year, in case proposed acquirer is obliged regarding the audit of financial report, j) financial reports for the current year, in case more than 9 months have passed since the last annual financial report, k) proof of secured assets for acquiring a qualifying holding and description of method, i.e. source of financing, l) description of the investment strategy and managing qualifying holdings in financial and credit institutions where the following is eminent: - total nominal amount of shares and percentage of initial capital intended to acquire, - acquirer's ability to further increase the financial sources, - business ethics of acquirer, - risk management system, - sources of investment of own funds, - proposed acquirer's financial capacity m) description of activities regarding acquiring prior to the submitting of application; n) proof of good repute or adequate information on whether acquirer or person referred to in subpoints e, f and g is not finally convicted for the criminal offence against values protected by international law, and for some of the following criminal offences: - financial instruments market abuse, - concealing money obtained in an illegal manner, - financing terrorism - against property, where the criminal proceedings are started by official duty, - against safety of the payment system and transactions, - against justice, - against the credibility of the documents, - against the official duty, - doing with the purpose of obtaining gain o) proof that bankruptcy proceedings concerning the property of proposed acquirer are neither opened nor initiated, p) opinion or approval of the competent authority from the member state or third country on proposed acquiring, where applicable, r) proof that the administrative charges and fee are paid. 2. when proposed acquirer is natural person: a) appropriately filled in form from the ordinance issued pursuant to the provisions of Article 21, paragraph 12 of the Act; b) certified copy of identity card or passport; c) proposed acquirer's curriculum vitae including list of all the firms and their addresses where he/she was or is still employed, member of the management board or supervisory board, as well as those where he/she had or still has qualifying holdings; d) proof of good repute or adequate information that acquirer is not finally convicted for the criminal offence against values protected by international law, and for some of the following criminal offences:

	- financial instruments market abuse; - concealing money obtained in an illegal manner; - financing terrorism; - against property, where the criminal proceedings are started by official duty; - against safety of the payment system and transactions; - against justice; - against the credibility of the documents; - against the official duty; - doing with the purpose of obtaining gain. e) documents referred to in point 1 e), f), j), k) and l), f) proof that the administrative charges and fee are paid. (2) In case proposed acquirer is natural person, Agency may, for the purpose of assessment during the process of granting approval for acquiring a qualifying holding, invite him/her to hold a presentation in the Agency's office. **For the pension companies**, afore mentioned is regulated by the Mandatory and Voluntary Pension Funds Act (OG 49/99, 63/00, 103/03, 177/04, 71/07 and 124/10). HANFA issued in January 2011 Ordinance on the requirements to be met by members of the Management and Supervisory board of a pension company, and on the contents of the application and documentation accompanying the application for the issuance of approval to exercise the function of a member of the management and supervisory board of a pension company (OG 8/11). This Ordinance regulates the requirements to be met by members of the management and supervisory board of a pension company, the contents of the application for the issuance of approval to exercise the function of a member of the management and supervisory board of a pension company, and documentation accompanying the application, as well as the contents of the documentation. **For the insurance companies,** afore mentioned is regulated by the Insurance Act (OG 151/05, 87/08 and 82/09). Besides provisions of paragraphs 3, 4 and 5 of the Article 25a, provisions of the Insurance Act relating to the process of selecting and appointing members of the management board are applied accordingly to the process of selecting and appointing executive directors. Therefore, only a person who has been granted an approval by the supervisory authority to carry out the duties of a member of the management board of a joint-stock insurance company may be appointed member of the management board of a joint-stock insurance company. The supervisory authority may decide that, during the decision-making procedure, the candidate for the position of the member of the management board be required to present his/her programme for managing the operations of the insurance company. When adopting a decision on issuing the approval referred to in paragraph 1 of the Article 28 of the Insurance Act, the supervisory authority shall also take into account the business reputation and financial stability of the company in which the candidate for the member of the management board of the insurance joint - stock company was employed, as well as the business reputation and experience of the candidate. According to the Article 59 par. 1 point 4 of the Insurance Act, an application for authorisation required to carry on insurance business shall be also accompanied by

	for: the shareholders – legal persons which are holders of qualifying holdings (foreign legal persons must submit certified translated copies of their documents): - an extract from the court register or another equivalent register; - a joint-stock company must submit a list of shareholders from the register of shareholders, or, in the case of bearer shares, a certified transcript of a notary public's document showing the list of attendees at the last general meeting of shareholders - a limited liability company must submit an extract from the book of holdings - financial reports for the last two business years, - a list of persons related to holders of qualifying holdings and a description of their relationship. Furthermore, according to the Article 66 par 8 of the Insurance Act, the supervisory authority may suspend the certified actuary authorisation for the period of one to three years, if he/she commits a serious violation of the rules of actuarial profession. According to the Article 255 of the Insurance Act an insurance agency or an insurance and reinsurance brokerage company which takes over another insurance agency or an insurance and reinsurance brokerage company shall, prior to entry in the court register of the decision on the takeover, obtain approval for the takeover from the supervisory authority. Insurance agency or insurance and reinsurance brokerage companies that are to be merged shall, prior to entry in the court register of the decision on the merger, obtain from the supervisory authority approval for the merger and authorisation to conduct insurance representation business or insurance and reinsurance brokerage business for a newly established insurance agency or an insurance and reinsurance brokerage company. With effect from the date of entry of a newly established insurance agency or an insurance brokerage company in the court register, the insurance agency or insurance and reinsurance brokerage companies that are merged shall be dissolved and their respective authorisations to conduct insurance representation business or insurance and reinsurance brokerage business shall cease to be valid.
Recommendation of the MONEYVAL Report	*HANFA should in the course of its supervision evaluate the effectiveness of the whole anti-money laundering system of the obliged entities (and not focus mainly on the detection of non-reported suspicious transactions).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	HANFA's staff performs regular supervision and supervision at the request of the Office. During supervision they will discuss with the internal auditor and an authorized person and also test set-up of AMLFT system of financial institution, as well as assess does financial institution have: appropriate internal procedures regarding AMLTF, procedures related to risk assessment analysis of a client, business relationship, product or transaction, the actions of customer due diligence, and whether the analysis conducted in accordance with the level of risk. During supervision, HANFA's staff controls application of cash and suspicious transactions, and records of the analysis of suspicious transactions. During supervision it is verified whether records are kept in an adequate manner, whether the authorized person responsible for AMLTF and its deputy/ies are nominated, and how the AMLTF education of employees and internal audits regarding AMLTF are conducted.
Measures taken to implement the	During supervision of the reporting entity HANFA's employees:

recommendations since the adoption of the first progress report	- interview internal auditors and authorized persons. - check the AMLTF system of reported entity and its internal guidelines, - check the Implementation of the AMLTF Act, internal documents of the reporting entity and implementation of HANFA's Guidelines regarding AMLTF , - risk analysis done by the reporting entity, - CDD and documentation regarding CDD - cash transactions, - suspicious transactions and reporting entity analysis regarding suspicious transactions - appointment of authorized person/deputies and her/his organizational placement - data keeping, - education – organization and realization - internal audit. HANFA performs supervision as was reported in first progress report.
Recommendation of the MONEYVAL Report	*Croatia should introduce a system for registering and/or licensing MVT services and companies issuing credit/debit cards.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	New Act on payment services, payment service providers and payment systems should be harmonized with the Directive 2007/64/EC of European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC. This Act, which is planned to be enacted till the end of the second term of 2009 and will enter into force on January 1st 2010, will introduce a system for licensing MVT services and companies issuing credit/debit cards.
Measures taken to implement the recommendations since the adoption of the first progress report	**The new PSA** (Official Gazette "Narodne novine" No. 133/2009, published on November 5th 2009, entered into force on January 1st 2011) is harmonized with the Directive 2007/64/EC of European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC. The PSA governs payment services, payment service providers, obligations of payment service providers to inform payment service users about the conditions for the provision of and about provided payment services, as well as other rights and obligations in relation to the provision and use of payment services, transaction accounts and the execution of payment transactions among credit institutions, the establishment, operation and supervision of payment institutions and the establishment, operation and supervision of payment systems. The relevant provisions of the Act are following: **Payment services** **Article 3** Payment services shall be the following services provided by payment service providers as their regular occupation or business activity: 1) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account; 2) services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account; 3) execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device,

	- execution of credit transfers, including standing orders; 4) execution of payment transactions where the funds are covered by a credit line for a payment service user: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device, - execution of credit transfers, including standing orders; **5) issuing and/or acquiring of payment instruments;** **6) money remittance; and** 7) execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of goods and services. **Payment institution and the provision of payment services** **Article 65** (1) A payment institution having its registered office in the Republic of Croatia shall be a legal person which has been authorised by the Croatian National Bank to provide payment services. (2) The Croatian National Bank shall grant authorisation to provide one or several payment services referred to in Article 3 of this Act. (3) Upon receipt of authorization to provide payment services from the Croatian National Bank, a legal person may enter payment services into the register of companies. (4) A legal person may not provide payment services before it obtains authorisation referred to in paragraph (2) of this Article and enters the activity of payment service provision into the register of companies. **Provision of payment services by payment institutions through agents** **Article 76** (1) A payment institution having its registered office in the Republic of Croatia may provide payment services through one or several agents. An agent of a payment institution may be a legal or a natural person in accordance with other regulations. (2) A payment institution which intends to provide payment services through an agent shall obtain a prior decision to enter the agent into the register from the Croatian National Bank. (3) A payment institution shall accompany an application for entry into the register referred to in paragraph (2) of this Article with the following: 1) the agent's firm and registered office, or the agent's name and address; 2) a description of the internal control mechanism put in place by the agent to comply with the provisions of the law governing the prevention of money laundering and terrorist financing; 3) for a member of the management board or executive director of the agent which is a legal person, or for the agent who is a natural person, the documentation referred to in Article 69, paragraph (2), item (10) of this Act; and 4) a list of payment services that it intends to provide through agents. (4) The Croatian National Bank may take all actions necessary, including requiring documentation, to verify the accuracy of the information submitted. The Croatian National Bank shall refuse to enter an agent into the register where it establishes, based on the documentation and information referred to in paragraphs (3) and (4) of this Article, that:

	- the internal control mechanism put in place to comply with the provisions of the law governing the prevention of money laundering and terrorist financing is inadequate, or - that a member of the management board or executive director of the agent which is a legal person, or an agent who is a natural person, does not have a good reputation or the skills and experience required for the provision of payment services. (6) An agent may commence work as of the date a decision to enter the agent into the register is adopted. (7) The Croatian National Bank shall adopt a decision to remove an agent from the register: 1) if a payment institution requests that an agent be removed from the register; 2) if bankruptcy proceedings have been opened against the agent; 3) where the agent is a legal person, upon its removal from the register of companies in the case of a merger, acquisition or division; 4) where the agent is a natural person, upon his/her death; (8) The Croatian National Bank may adopt a decision to remove an agent from the register: 1) if any of the reasons referred to in paragraph (5) of this Article arise; and 2) if the reason referred to in Article 79, paragraph (8) of this Act arises. (9) A payment institution may not provide payment services through an agent: 1) as of the date of submission of the decision referred to in paragraph (7), items (this Article, 2) as of the date of adoption of the decision to open bankruptcy proceedings against the agent; 3) as of the date of removal of the agent from the register of companies in the case of a merger, acquisition or division. **Supervision of payment institutions** **Article 97** (1) The Croatian National Bank shall exercise supervision of payment institutions. (2) The supervision referred in paragraph (1) of this Article shall mean the verification of whether a payment institution operates in accordance with the provisions of this Act and regulations adopted under this Act, and in relation to its provision of payment services and its activities in accordance with Article 68, items (1) and (2) of this Act. **. . .** (6) The Croatian National Bank may prescribe in detail the conditions for and the manner of exercising supervision and imposing measures, and the responsibilities of the payment institution's bodies in the course of and following supervision.
Recommendation of the MONEYVAL Report	*For the whole financial sector there should be clear authority for all supervisors to supervise CFT issues.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the Law refers to "ML and/or FT", Article 1 aditionally states "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing". There is a clear legal base.
Measures taken to implement the recommendations since the adoption	The Provisions of HANFA's Guidelines are equally applicable for AML and TF. The Provisions of CNB's Guidelines are equally applicable for AML and TF. .

of the first progress report	
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	The Provisions of FI draft General Guidelines are equally applicable for AML and TF.

Recommendation 24 (DNFBP - Regulation, supervision and monitoring)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should introduce an effective system for monitoring and ensuring compliance with AML/CFT requirements among DNFBP.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Financial Inspectorate is relevant for all DNFBPs, Tax Administration for casinos, and AMLO for administrative supervision of all DNFBPs. **AMLFT Law:** **Section 2:** SUPERVISORY BODIES' SCOPES OF COMPETENCE **The Office** **Article 84** (1) The Office shall conduct offsite supervision of compliances with this Law with the reporting entities referred to in Article 4, paragraph 2 of this Law via the collection and examination of data, information and documentation supplied as per this Law. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law shall undertake to supply the Office with data, information and documentation prescribed by this Law, as well as other data the Office shall require for the conducting of supervision without any undue delay, and no later than within 15 days after the receipt of the request. (3) The Office shall be entitled to require the state bodies, local and regional self-government units and legal persons with public authorities to supply the Office with all data, information and documentation it may require for the conducting of offsite supervision as per this Law and for the initiation of a misdemeanour proceeding. (4) The Office may coordinate the work of other supervisory bodies and to require them to conduct targeted supervisions. (5) The Office may sign Agreements of Understanding with other supervisory bodies. **Other Supervisory Bodies** **Article 85** (1) The Financial Inspectorate shall conduct supervision of compliance with this Law with all reporting entities referred to in Article 4, paragraph 2 of this Law. The supervision of the reporting entities by the Financial Inspectorate shall be conducted on the basis of money laundering and terrorist financing risk assessment. The Financial Inspectorate shall be entitled to use the assistance from other supervisory

	bodies in the conducting of supervision of the reporting entities in line with the signed agreements of understanding. (2) The Tax Administration shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, item 13 of this Law. During the conducting of onsite supervision from its scope of competence, the Tax Administration shall also check whether or not domestic legal and natural persons comply with the prescribed limitation of cash payments in keeping with the provisions contained in Article 39 of this Law (3) The Croatian National Bank shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4, paragraph 2, items 1, 2, 3, 4 and 11 of this Law. (4) The Croatian Financial Services Supervision Agency shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, items 7, 8, 9 and 10 of this Law. (5) The supervisory bodies referred to in Article 83, paragraph 1 shall be obliged to exchange data and information between each other needed for the supervisory procedures and to communicate the identified irregularities, should such findings be of relevance for the work of another supervisory body.
Measures taken to implement the recommendations since the adoption of the first progress report	Since entering into force of AMLCFT Law (January 1st 2009) Financial inspectorate started with the supervision over the DNFBP sector. For more standardised methods and techniques of the supervision, FI developed Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures. Supervisory Manual is developed within the IMF technical assistance project, inspectors are trained for its use by the IMF experts, and Supervisory Manual is in use. The whole DNFBP sector is covered by the supervision, not only on site, but also, off site supervision. Except that, FI actively communicates with the sector by organising meetings, seminars, sending questionnaires used for the risk assessment within the Financial inspectorate etc.
Recommendation of the MONEYVAL Report	*Croatian authorities should amend the AML Law to identify the competent authorities that will be specifically responsible for the AML/CFT regulatory and supervisory regime for DNFBP and give these authorities adequate powers to perform their functions, including powers to monitor and sanction.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. Financial Inspectorate is relevant for all DNFBPs, Tax Administration for casinos, and AMLO for administrative supervision of all DNFBPs. There are more than 50 misdemeanour offences prescribed and fined up to 700.000 HRK (cca 100.000€) which can be imposed for the infringements on: - legal persons: legal person, members of management board or other legal person's responsible person, a natural person craftsman or a natural person involved in other independent business activity - a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services - a responsible person in a state administration body or in a local and regional self-government unit - In instances when a special law shall envisage the issuance of an approval for the performance of certain arrangements (licence), the competent body shall be entitled

	to recall the approval for the performance of such arrangements from legal or natural persons **AMLFT Law:** **Section 2:** SUPERVISORY BODIES' SCOPES OF COMPETENCE **The Office** **Article 84** (1) The Office shall conduct offsite supervision of compliances with this Law with the reporting entities referred to in Article 4, paragraph 2 of this Law via the collection and examination of data, information and documentation supplied as per this Law. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law shall undertake to supply the Office with data, information and documentation prescribed by this Law, as well as other data the Office shall require for the conducting of supervision without any undue delay, and no later than within 15 days after the receipt of the request. (3) The Office shall be entitled to require the state bodies, local and regional self-government units and legal persons with public authorities to supply the Office with all data, information and documentation it may require for the conducting of offsite supervision as per this Law and for the initiation of a misdemeanour proceeding. (4) The Office may coordinate the work of other supervisory bodies and to require them to conduct targeted supervisions. (5) The Office may sign Agreements of Understanding with other supervisory bodies. **Other Supervisory Bodies** **Article 85** (1) The Financial Inspectorate shall conduct supervision of compliance with this Law with all reporting entities referred to in Article 4, paragraph 2 of this Law. The supervision of the reporting entities by the Financial Inspectorate shall be conducted on the basis of money laundering and terrorist financing risk assessment. The Financial Inspectorate shall be entitled to use the assistance from other supervisory bodies in the conducting of supervision of the reporting entities in line with the signed agreements of understanding. (2) The Tax Administration shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, item 13 of this Law. During the conducting of onsite supervision from its scope of competence, the Tax Administration shall also check whether or not domestic legal and natural persons comply with the prescribed limitation of cash payments in keeping with the provisions contained in Article 39 of this Law (3) The Croatian National Bank shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4, paragraph 2, items 1, 2, 3, 4 and 11 of this Law. (4) The Croatian Financial Services Supervision Agency shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, items 7, 8, 9 and 10 of this Law. (5) The supervisory bodies referred to in Article 83, paragraph 1 shall be obliged to exchange data and information between each other needed for the supervisory procedures and to communicate the identified irregularities, should such findings be of relevance for the work of another supervisory body.
Measures taken to	

implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*The sanction regime of the AML Law should provide for a broader range of proportionate and appropriate sanctions.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. There are more than 50 misdemeanour offences prescribed and fined up to 700.000 HRK (cca 100.000€) which can be imposed for the infringements on: - legal persons: legal person, members of management board or other legal person's responsible person, a natural person craftsman or a natural person involved in other independent business activity - a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services - a responsible person in a state administration body or in a local and regional self-government unit In instances when a special law shall envisage the issuance of an approval for the performance of certain arrangements (licence), the competent body shall be entitled to recall the approval for the performance of such arrangements from legal or natural persons in breach of the provisions contained in this Law.
Measures taken to implement the recommendations since the adoption of the first progress report	The Financial Inspectorate Act , Article 17 (1) The Financial Inspectorate, in compliance with the provisions of this Act, shall be permitted to apply the following supervisory measures to subjects of supervision: 1. to issue a written warning to eliminate irregularities, 2. to order the elimination of illegalities and irregularities, 3. to propose the suspension of the implementation of financial transactions and the freezing of financial assets, 4. temporarily to prohibit the undertaking of specific business activities, pursuant to the authorities that issue from the Minor Offence Act, 5. to propose the revocation of authorization to work. (2) The measures from Paragraph 1 of this Article shall be imposed by the Financial Inspectorate upon subjects of supervision by the application of the principle of proportionality. Concerning the reporting entities in competence of Tax administration, pursuant to Article 32 of the Act on Games of Chance a gaming concession may be revoked. Article 32: (1) The Government of the Republic of Croatia may, upon proposal by the Ministry of Finance, decide to revoke a gaming concession where it determines that: 1. The concession was obtained based on inaccurate information, 2. The operator is breaching the contractual provisions, 3. The operator fails to perform the obligations from this Act or contract within specified terms, 4. The operator discloses false information on turnover, 5. The operator fails to start the operations within the specified term, 6. The operator started its operations before obtaining an authorisation from the

	Ministry of Finance, 7. The operator fails to fulfil the prescribed technical requirements, 8. The operator does not possess a bank guarantee in the defined amount, 9. The operator breaches the rules of the games of chance, 10. The operator does not permit or otherwise makes impossible the implementation of control stipulated by this Act, 11. The operator lends money to players, 12. The operator ceased organising games of chance without an authorisation from the Ministry of Finance, 13. The operator changed its corporate ownership structure without an authorisation from the Ministry of Finance, 14. **The operator fails to proceed in compliance with the laws and regulations pertaining to the prevention of money laundering and terrorism financing,** 15. Circumstances have occurred due to which the operator would not have obtained the concession. (2) By adopting the decision from paragraph 1 of this Article, the concession contract shall be deemed terminated. Any and all rights acquired by the decision on the concession shall cease to be valid upon adoption of the decision by the Government of the Republic of Croatia on its revocation. (3) In case of a revocation of the gaming concession from paragraph 1 of Article 23 of this Act, the Ministry of Finance shall be entitled to recover any damage caused by the operator, in compliance with the obligations from Article 34 of this Act. Pursuant to the Act on Games of Chance and the previous Act on Operating Games of Chance and Lottery Games ("OG" 83/02), since 2002 the Ministry of Finance has revoked 5 gaming concessions for casinos. For two casinos gaming concession was revoked because of illegalities in the work, for other two casinos because of failure to fulfil the conditions prescribed by the Law, and for one casino because it failed to submit the bank guarantee in due time. For two casinos gaming concession was not extended because the operator did not fulfil its obligations laid down by the Law or a concession contract in the prescribed time limits. Also, a concession for organizing betting games was revoked for six betting shops. One betting shop has stopped receiving payments and initiated bankruptcy proceedings, for two betting shops a gaming concession was revoked because they did not submit new bank guarantees, two because they did not meet their obligations within the prescribed deadlines, and one for not having the conditions for work – operating server was located in Malta, not in the Republic of Croatia.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 25 (Guidelines and Feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*More feedback to the non-banking sector is necessary.*

Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **AMLFT Law:** **Feedback** **Article 66** Concerning the received and analysed information regarding a transaction or a person for which reasons for suspicion of money laundering or terrorist financing were established, the Office shall supply a written notification thereof to the reporting entities referred to in Article 4, paragraph 2 of this Law who reported the transaction, save for instances in which the Office deems such a course of action could damage the further course and outcome of the proceeding, by doing the following: 1. confirm the transaction report receipt; 2. supply the information on the decision or the result of such a case if the case based on the report on transaction was closed or completed, and information thereof became available; 3. at least once a year, supply or publish statistical data on the received transaction reports and the results of proceedings; 4. supply or publish information on the current techniques, methods, trends and typologies of money laundering and terrorist financing; 5. supply or publish summarised examples of specific money laundering and terrorist financing cases. Confirmation the receipt of transaction report is "automated" daily procedure. Information of the result of each case is new obligation of each analyst responsible for the case, after receiving the proper feedback of relevant investigative body, if the information is available, and if concrete case allows it. The AMLO's Prevention Department react on each STR which is not sufficient for opening analytical case by directly informing the sender. Statistical data, techniques, methods, trends and typologies, and summarised cases, are part of annual report of the AMLO published on the web page of the Ministry of Finance. Additionally, that information are also regularly presented during seminars and trainings.
Measures taken to implement the recommendations since the adoption of the first progress report	In the course of 2010 the AMLO has submitted, to each reporting entity who reported a suspicious transaction to the AMLO in 2009, a feedback on received and analyzed suspicious transaction reports and the results of proceedings. Feedback included the following information: • number of suspicious transactions received from same individual reporting entity, which initiated the opening of the analytical processing of transactions; • number of suspicious transactions received from same individual reporting entity, that were analytically processed within the existing analytical processing; • number of suspicious transactions received from same individual reporting entity, which did not initiate the analytical process, nor were processed analytically, but were the subject of pre-analytical processing in 2009. Feedback also included the information on the result of processing of the above mentioned transactions: • number of suspicious transactions whose analytical processing resulted in

	notification on suspicious transactions, that were forwarded by the Office to the competent state authorities; • number of suspicious transactions whose analytical processing wasn't completed during 2009, and the results of which will be included in feedback for the reporting entities in 2010.
Recommendation of the MONEYVAL Report	*Guidance should be issued for general compliance with AML/CFT requirements, not only for filing of STRs.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Article 88 of the AMLFT Law, Issuing Recommendations and Guidelines, defines obligations of the supervisory bodies to issue recommendations and guidelines to the reporting entities to be able to uniformly apply the provisions contained in the Law and By-laws, independently or in conjunction with other supervisory bodies. Pursuant to the Article 57, of the AML/CFT Law, Para 2, item 3; "the AMLO shall jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issue guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law" In January 2008 Croatian National Bank prepared Guidelines Relating to the Prevention of Money Laundering and Terrorists Financing for Credit Institutions and Credit Unions. These Guidelines were issued before new Act on the Prevention of Money Laundering and Terrorist Financing was enacted and entered into force (Official Gazzette No. 87/2008) and were recommendations for banking sector in order to make necessary changes for full implementation of the *acquis* into national legislation. Guidelines prescribe identification of beneficial owner and risk based approach- particularly enhanced CDD measures to compensate higher risk (politically exposed persons, cross-frontier correspondent banking relationship, prohibition to enter into or continue a correspondent banking relationship with shell banks and so on). According to the provisions of Article 88 of AMLFT Law, in March 2009 HANFA will issue Guidelines for anti money laundering and terrorism financing of financial institutions in HANFA's jurisdiction. The draft of Guidelines is already prepared and will be discussed with representatives of financial institutions on workshop in the late February 2009. Procedures regarding new technologies and non face-to-face business are also included in the above mentioned Guidelines. Pursuant to the Article 4 of the Financial Inspectorate Act, item 8; the FI shall together with the Office for the Prevention of Money Laundering and in cooperation with other regulatory and supervisory bodies, issue recommendations or guidelines for the uniform implementation of the individual provisions of the Money Laundering and Financing of Terrorism Prevention Act and the provisions adopted pursuant to said act for persons obligated by this Act, The Financial Inspectorate which (according to its scope of competence) may supervise part of the financial sector (together with other supervisory bodies) and it is primary supervisor of the AML/CFT compliance within the DNFBP sector (except for reporting entities set forth in Article 4, Para 2, Item 13; Organizers of games of chance: lottery games, casino games, betting games, slot-machine gaming, games of chance on the Internet and via other telecommunications means, i.e. electronic communications which are supervised by the Tax Administration of the Croatian Ministry of Finance) is obliged according to the Article 88 of the AML/CFT Law and according to the Article 4 of the Financial Inspectorate Act to issue guidance for reporting entities they supervise.

	This obligation is also prescribed by the Action plan for combating money laundering/terrorism financing enacted by Croatian Government in January 2008. In July 2008, the FI started with the preparation of Guidance for AML/CFT compliance for different types of DNFBP sector. Guidance for auditors, accountants and tax advisers has been completed in December. They are distributed to the industry and published on the website of the Ministry of Finance. Guidance for lawyers, law firms and notaries are under preparation and they are to be published in the first half of the year 2009. as well as Guidance for other types of DNFBP sector. The purpose of this Guidance is to explain in more detail specific provisions of the AML Law. Their purpose goes much beyond just filing of STRs and they give to the reporting entities instructions and explanations related to the AML Law. For example, paragraphs of the Guidance for auditors, accountants and tax advisors and draft Guidance for lawyers, law firms and notaries are as follows: Preface, The definition of ML/TF, AML/CFT measures (Internal Act enactment, ML/TF risk assessment, CDD, education of employees, production and regularly update of the list of indicators, Reporting to the FIU, Data storage and protection and record keeping), AML/CFT supervision, General List of Indicators. **AMLFT Law:** **Issuing Recommendations and Guidelines** **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other supervisory bodies issue recommendations or guidelines relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law Supervisory bodies are contacted daily on the issues related to implementation of AML/CFT measures, giving recommendations or guidelines for proper implementation of specific AML/CFT measures. If the issue is more general or relevant and important for some sector or all reporting entities, there is a practice adopted on the agreement on the text of recommendation or guideline, which is latter published or distributed by the AMLO (e.g. cash transactions, beneficial owner, black list countries, offshore countries, cash operation restrictions, order for monitoring of financial operation etc.).
Measures taken to implement the recommendations since the adoption of the first progress report	According to the provisions of Article 7 of the AMLFT Law, credit institutions and credit unions are obliged to align a money laundering and terrorist financing risk analysis and assessment with CNB` s guidelines. **In July 2009, the Governor of the CNB issued Guidelines for the analysis and assessment of money laundering and terrorist financing risks for credit institutions and credit unions, hereinafter: CNB´s guidelines** (on the date of adoption of these guidelines, Guidelines relating to the prevention of the ML/TF for credit institutions and credit unions as of January 2008 ceased to have effect). In accordance with the AMLFT Law, credit institutions and credit unions are obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing. In addition to a risk-based approach, within which risk categories (low, moderate and high risk) and criteria (country or geographic risk, customer risk and product/transaction/business relationship risk) related to money laundering and terrorist financing are determined,

	CNB´s guidelines also provide instructions as regards putting in place policies and procedures aimed at diminishing exposure to the risk of money laundering and terrorist financing which may steam from new technologies enabling anonymity (electronic or Internet banking, electronic money, etc.). CNB´s guidelines also apply to all activities performed by the credit institutions and credit unions on the Internet, including all connected technologies enabling network access and open telecommunications networks which include direct telephone links, the public World Wide Web and virtual private networks. The risk based approach, given by the CNB´s guidelines, provides determination of potential money laundering and terrorist financing risks and enables credit institutions and credit unions to focus on those customers, business relationships, transactions or products which pose the greatest one. The credit institutions and credit unions must be able to prove that the level of due diligence measures applied is appropriate in relation to the determined risk. **In December 2009**, CNB´s guidelines were published on the CNB` s web site, under the section "Anti Money Laundering and Terrorist Financing": .http://www.hnb.hr/novcan/pranje_novca_terorizam/e-pranje-novca-terorizam.htm The Financial inspectorate is obliged according to the Article 88 of the AML/CFT Law and according to the Article 4 of the Financial Inspectorate Act to issue guidance for reporting entities they supervise. This obligation is also prescribed by the Action plan for combatting money laundering/terrorism financing enacted by Croatian Government in January 2008. Guidance for lawyers, law firms and notaries has been published in 2009. Also, Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities. The purpose of Guidance is to explain in more detail specific provisions of the AML Law. Their purpose goes much beyond just filing of STRs and they give to the reporting entities instructions and explanations related to the AML Law in general. In 2009 HANFA issued Guidelines regarding implementation of AMLTF Law which also fulfil above mentioned requirements.
Recommendation of the MONEYVAL Report	*The AMLD should give adequate and appropriate feedback to the non banking financial sector*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **AMLFT Law:** **Feedback** **Article 66** Concerning the received and analysed information regarding a transaction or a person for which reasons for suspicion of money laundering or terrorist financing were established, the Office shall supply a written notification thereof to the reporting entities referred to in Article 4, paragraph 2 of this Law who reported the transaction, save for instances in which the Office deems such a course of action could damage the further course and outcome of the proceeding, by doing the following: 1. confirm the transaction report receipt; 2. supply the information on the decision or the result of such a case if the case based on the report on transaction was closed or completed, and information thereof

	became available; 3. at least once a year, supply or publish statistical data on the received transaction reports and the results of proceedings; 4. supply or publish information on the current techniques, methods, trends and typologies of money laundering and terrorist financing; 5. supply or publish summarised examples of specific money laundering and terrorist financing cases. Confirmation the receipt of transaction report is "automated" daily procedure. Information of the result of each case is new obligation of each analyst responsible for the case, after receiving the proper feedback of relevant investigative body, if the information is available, and if concrete case allows it. The AMLO's Prevention Department react on each STR which is not sufficient for opening analytical case by directly informing the sender. Statistical data, techniques, methods, trends and typologies, and summarised cases, are part of annual report of the AMLO published on the web page of the Ministry of Finance. Additionally, that information are also regularly presented during seminars and trainings.
Measures taken to implement the recommendations since the adoption of the first progress report	In the course of 2010 the AMLO has submitted, to each reporting entity who reported a suspicious transaction to the AMLO in 2009, a feedback on received and analyzed suspicious transaction reports and the results of proceedings. Feedback included the following information: • number of suspicious transactions received from same individual reporting entity, which initiated the opening of the analytical processing of transactions; • number of suspicious transactions received from same individual reporting entity, that were analytically processed within the existing analytical processing; • number of suspicious transactions received from same individual reporting entity, which did not initiate the analytical process, nor were processed analytically, but were the subject of pre-analytical processing in 2009. Feedback also included the information on the result of processing of the above mentioned transactions: • number of suspicious transactions whose analytical processing resulted in notification on suspicious transactions, that were forwarded by the Office to the competent state authorities; • number of suspicious transactions whose analytical processing wasn't completed during 2009, and the results of which will be included in feedback for the reporting entities in 2010.
Recommendation of the MONEYVAL Report	*Guidance should be issued to DNFBPs for general compliance with AML/CFT requirements, not only for filing of STRs.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Article 88 of the AMLFT Law, Issuing Recommendations and Guidelines, defines obligations of the supervisory bodies to issue recommendations and guidelines to the reporting entities to be able to uniformly apply the provisions contained in the Law and By-laws, independently or in conjunction with other supervisory bodies. Pursuant to the Article 57, of the AML/CFT Law, Para 2, item 3; "the AMLO shall jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issue guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law"

	In January 2008 Croatian National Bank prepared Guidelines Relating to the Prevention of Money Laundering and Terrorists Financing for Credit Institutions and Credit Unions. These Guidelines were issued before new Act on the Prevention of Money Laundering and Terrorist Financing was enacted and entered into force (Official Gazzette No. 87/2008) and were recommendations for banking sector in order to make necessary changes for full implementation of the *acquis* into national legislation. Guidelines prescribe identification of beneficial owner and risk based approach- particularly enhanced CDD measures to compensate higher risk (politically exposed persons, cross-frontier correspondent banking relationship, prohibition to enter into or continue a correspondent banking relationship with shell banks and so on). According to the provisions of Article 88 of AMLFT Law, in March 2009 HANFA will issue Guidelines for anti money laundering and terrorism financing of financial institutions in HANFA's jurisdiction. The draft of Guidelines is already prepared and will be discussed with representatives of financial institutions on workshop in the late February 2009. Procedures regarding new technologies and non face-to-face business are also included in the above mentioned Guidelines. Pursuant to the Article 4 of the Financial Inspectorate Act, item 8; the FI shall together with the Office for the Prevention of Money Laundering and in cooperation with other regulatory and supervisory bodies, issue recommendations or guidelines for the uniform implementation of the individual provisions of the Money Laundering and Financing of Terrorism Prevention Act and the provisions adopted pursuant to said act for persons obligated by this Act, The Financial Inspectorate which (according to its scope of competence) may supervise part of the financial sector (together with other supervisory bodies) and it is primary supervisor of the AML/CFT compliance within the DNFBP sector (except for reporting entities set forth in Article 4, Para 2, Item 13; Organizers of games of chance: lottery games, casino games, betting games, slot-machine gaming, games of chance on the Internet and via other telecommunications means, i.e. electronic communications which are supervised by the Tax Administration of the Croatian Ministry of Finance) is obliged according to the Article 88 of the AML/CFT Law and according to the Article 4 of the Financial Inspectorate Act to issue guidance for reporting entities they supervise. This obligation is also prescribed by the Action plan for combating money laundering/terrorism financing enacted by Croatian Government in January 2008. In July 2008, the FI started with the preparation of Guidance for AML/CFT compliance for different types of DNFBP sector. Guidance for auditors, accountants and tax advisers has been completed in December. They are distributed to the industry and published on the website of the Ministry of Finance. Guidance for lawyers, law firms and notaries are under preparation and they are to be published in the first half of the year 2009. as well as Guidance for other types of DNFBP sector. The purpose of this Guidance is to explain in more detail specific provisions of the AML Law. Their purpose goes much beyond just filing of STRs and they give to the reporting entities instructions and explanations related to the AML Law. For example, paragraphs of the Guidance for auditors, accountants and tax advisors and draft Guidance for lawyers, law firms and notaries are as follows: Preface, The definition of ML/TF, AML/CFT measures (Internal Act enactment, ML/TF risk assessment, CDD, education of employees, production and regularly update of the list of indicators, Reporting to the FIU, Data storage and protection and record keeping), AML/CFT supervision, General List of Indicators.

	AMLFT Law: **Issuing Recommendations and Guidelines** **Article 88** In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other supervisory bodies issue recommendations or guidelines relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law Supervisory bodies are contacted daily on the issues related to implementation of AML/CFT measures, giving recommendations or guidelines for proper implementation of specific AML/CFT measures. If the issue is more general or relevant and important for some sector or all reporting entities, there is a practice adopted on the agreement on the text of recommendation or guideline, which is latter published or distributed by the AMLO (e.g. cash transactions, beneficial owner, black list countries, offshore countries, cash operation restrictions, order for monitoring of financial operation etc.).
Measures taken to implement the recommendations since the adoption of the first progress report	The Financial inspectorate is obliged according to the Article 88 of the AML/CFT Law and according to the Article 4 of the Financial Inspectorate Act to issue guidance for reporting entities they supervise. This obligation is also prescribed by the Action plan for combating money laundering/terrorism financing enacted by Croatian Government in January 2008. Guidance for lawyers, law firms and notaries was published in 2009. The purpose of Guidance is to explain in more detail specific provisions of the AML Law. Their purpose goes much beyond just filing of STRs and they give to the reporting entities instructions and explanations related to the AML Law in general.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Financial Inspectorate finalised a technical assistance project with the IMF which (among other results) resulted with draft of the General Guidance for reporting entities.

Recommendation 32 (Statistics)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*One authority should maintain comprehensive and detailed statistics on money laundering investigations, prosecutions and convictions or other verdicts (and whether confiscation has also been ordered) indicating not only the numbers of persons involved but also that of the cases/offences and, in addition, providing statistical information on the underlying predicate crimes and further characteristics of the respective laundering offence (whether it was prosecuted autonomously etc.).*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	**Statistics Keeping** **Article 82** (1) For the purposes of making an assessment of the effectiveness of the overall system for combating money laundering and terrorist financing, the competent State Attorney's Office branches, the competent courts and competent state bodies shall

	undertake to keep comprehensive statistics and to supply the Office with data on proceedings being run on the account of money laundering and terrorist financing offences, as well as misdemeanour proceedings being run on the accounts of misdemeanours prescribed by this Law. (2) The competent courts and the competent State Attorney's Office branches shall undertake to supply the Office twice a year with data on investigation initiation, legal effectiveness of indictments, effectiveness of verdicts for offence of concealment of the illegally obtained monies and terrorist financing, and on other predicate offences in relation with money laundering in the manner and within deadlines to be prescribed by the Minister of Finance in a rulebook. (3) In the cases involving the completed first-instance misdemeanour proceeding on the account of misdemeanours prescribed by this Law, the Financial Inspectorate shall supply the Office with data in the manner and within deadlines to be prescribed by the Minister of Finance in a rulebook. (4) Other competent state bodies shall undertake to notify the Office once a year, and no later than by end-January of the current year for the previous year, of the stages of proceedings and measures they took by way of the received suspicious transactions reports referred to in Article 65 of this Law. Additionally, with the Action Plan on ML/FT (2007), Croatia foreseen the activity of: "Pursuant to the requirement referred to in Art. 33 of the Third EU Directive and FATF Recommendation 32: Establishment of: 1. comprehensive statistics containing data on the process of preventing and combating money laundering (e.g. supervisions conducted, misdemeanor proceedings, suspicious transaction reports to the AMLO, police inspections, misdemeanor charges, investigations, indictments, convictions, amounts of money laundered, seizure and confiscation of funds subject to money laundering, requests for international legal aid and cooperation) or 2. keeping of statistics at individual institutions in such a way as to ensure data compatibility and comparability."
Measures taken to implement the recommendations since the adoption of the first progress report	Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences entered into force on 1st July 2009. In its Articles 3 and 4 competent State Attorney's offices and competent courts shall supply data on persons and proceedings initiated against money laundering and terrorist financing offences to AMLO (twice a year) using a printed Form which must clearly show the stage of the proceeding at the end of a semester for which data are being supplied. Competent State Attorney's offices and competent courts shall supply data for the first semester of the current calendar year no later than by end-July of the current calendar year, and for the second semester of the current calendar year no later than by end-January of the next calendar year. Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on misdemeanour proceedings entered into force on 1st July 2009. According to this Rulebook, the Financial Inspectorate shall supply data on cases in which the first-instance misdemeanour proceeding has been completed conducted due to misdemeanours prescribed in the AMLFT Law to the AMLO using a printed form. According to the Art 3 of the Rulebook, the Financial Inspectorate is obliged to supply the AMLO with data twice a year, for the first semester of the current calendar year no later than by end-July of the current calendar year, and for the second semester of the current calendar year no later than by end-January of the next calendar year.
Recommendation of	*More statistical data (e.g. nature of mutual assistance requests; the time required to*

the MONEYVAL Report	*handle them; type of predicate offences related to requests) is needed to show the effectiveness of the system.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	MINISTRY OF JUSTICE: Directorate for international legal assistance within Ministry of Justice keeps record on mutual legal assistance requests and the time required handling them, but the operational programme installed does not recognize the type of criminal offence yet. Certain steps have been taking to adopt the project which shall result in corresponding programme. STATE ATTORNEY'S OFFICE: Analysing our cases regarding money laundering we want to stress that in the Republic of Croatia most common predicate offenses for the money laundering are criminal offenses against business operations Art. 292 Criminal code, criminal offenses against official duty Art. 337 Criminal Code and as well criminal offenses against values protected by international law, abuse of narcotic drugs Art. 173 Criminal Code. HANFA: Supervision of AMLTF measures in 2007 was performed for: 20 investment funds management companies and 83 investment funds, 4 mandatory pension companies, 1 pension insurance company and 15 investment companies. Supervision of AMLTF measures in 2008 was performed for: 5 insurance companies, 16 investment funds management companies and 43 investment funds, 4 mandatory pension companies and 4 mandatory pension funds, 2 voluntary pension companies and 8 voluntary pension funds and 14 investment companies. CROATIAN NATIONAL BANK: Number of Croatian National Bank's on-site supervision which included the examination of the implementation of the Law on Prevention of Money Laundering

Year	**Total number of conducted on-site visits**	**Number of additional information to FIU related to suspicious transactions, determined during regular on-site supervision of other banking activities**
2004.	11	3
2005.	9	2
2006.	8	1
2007.	7	3
2008.	11	0

FINANCIAL INSPECTORATE:

AML/CFT SUPERVISIONS MADE BY FI:

REPORTING ENTITIES	**YEAR**			
	2005	**2006**	**2007**	**2008**
Banks	9	5	2	2
Authorized exchange offices	550	309	300	301
Others	17	58	63	68

SUPERVISIONS INITIATED BY OTHER BODIES
2005-2008.

YEAR INITIATIVE CAME FROM:	2005.	2006.	2007.	2008.	total
FIU	15	20	9	10	**54**
POLICE (MINISTRY OF INTERIOR)	4	2	7	20	**33**
STATE ATTORNEYS OFFICE	0	8	1	20	**29**
TOTAL	**19**	**30**	**17**	**50**	**116**

Mutual assistance cases mentioned in the table above are mostly requests for supervision to be conducted by the FI (they are part of the FI scope of competence). These cases are mostly related to the foreign exchange business and payment system, for instance; conclusion and realization of current and capital businesses with companies from abroad where there is a suspicion on money laundering.

Cases initiated by the Police, State Attorney's office and the FIU are usually very complicated and seek for the long-lasting analysis and processing because it is (in most cases) necessary to obtain and gather data from different banks in the Republic of Croatia, from Tax administration and other relevant bodies. Such cases seek for a longer time to be handled (sometimes it can last more than one year).

Often, there is a problem of establishing beneficial ownership in case of off-shore companies. Although FI usually uses help provided by specialized firms, it is practically impossible to get such a piece of information.

After the solution of each particular case, FI notifies other bodies about the results (not only the initiator but also other bodies if there are detected irregularities from their scope of competence).

Within the above mentioned period (2005-2008), FI, after supervision had been conducted, submitted 5 piece of information on suspicion on ML to the State Attorneys Office. This information had to be checked by other bodies. Besides, FI submitted 5 criminal charges (which included 10 persons) for ML criminal offence to the State Attorneys Offices.

The predicate offences in above mentioned cases were; misappropriation in a corporate business (fraud), embezzlement and the false statement of data related to the value, amount, condition and the origin of goods.

TAX ADMINISTRATION:

2007:

- supervisions of casinos - 32
  - misdemeanours - 3
- other supervisions
  - total - 61
  - ongoing - 13
  - misdemeanours - 6
  - criminal reports - 2

2008:

- supervisions of casinos - 28

	o misdemeanours - 7 - other supervisions o total - 22 o ongoing - 20 o misdemeanours - 2 o international mutual assistance - 1
Measures taken to implement the recommendations since the adoption of the first progress report	Ministry of Justice Ministry of Justice will apply for the non-alocated resources within Programme IPA 2010 to establish a reliable, efficient and sustainable IT system for management of cases to be implemented in the Directorate for international legal assistance of the Ministry of Justice in order to increase the efficiency of the mutual legal assistance. Directorate for international legal assistance within Ministry of Justice keeps record on mutual legal assistance requests and the time required handling them, but the operational programme installed does not recognize the type of criminal offence yet. Ministry of Justice will apply for the non-alocated resources within Programme IPA 2010 to establish a reliable, efficient and sustainable IT system for management of cases to be implemented in the International Legal Assistance Sector of the Ministry of Justice in order to increase the efficiency of the mutual legal assistance. At this moment it is possible to receive approximate data on e.g. mutual legal assistance requests in 2010 in criminal matters (total of app 12.000 requests) out of which number a certain number of cases is related to MLA concerning money laundering offence. HANFA: Supervision of AMLTF measures in 2009 was performed for: 12 investment fund management companies and 34 investment funds, 14 investment companies, 8 insurance companies, 1 fund established under special law, 4 mandatory pension funds and 7 leasing companies. Supervision of AMLTF measures in 2010 was performed for: 20 investment funds management companies and 14 investment funds, 6 insurance companies, 22 companies authorized to do business with financial instruments, 7 leasing companies and 1 factoring. CROATIAN NATIONAL BANK: Number of CNB's on-site supervision of credit institutions which included the examination of the implementation of the AMLFT Law **Year** | **Total number of conducted on-site visits of credit institutions** | **Number of misdemeanours related to the violation of the implementation of the AMLFT Law** 2009. | 11 | 0 2010. | 14 | 1

FINANCIAL INSPECTORATE:
SUPERVISION

REPORTING ENTITY		REGULAR SUPERVISION TOTAL			TARGETED SUPERVISION TOTAL		
		2009	2010	2011 (Feb)	2009	2010	2011 (Feb)
Authorised currency exchange offices		281	150	5	10	2	
Providers of credit and loans			3		10	1	
Credit dealings intermediaries			3	2		3	
Trusts or company service providers			1				
Non-financial sector and the so-called professional activities (DNFBPs)	Lawyers		23	2	1		
	Notaries public	1	15				
	Accountants		12				
	Auditors	10	10				
	Tax advisors		1				
	Real estate agents		8				
	Dealers in precious metals and stones			27			
	Artistic items and antiques		2				
	Organising or carrying out auctions		1				
Non-profit organisations (high-risk entities)	Associations	12	1				

Other					68	79	8
TOTAL		**304**	**230**	36	**89**	**85**	8

SUPERVISIONS INITIATED BY OTHER BODIES
2009-2010

YEAR	**2009**	**2010**	**total**
INITIATIVE CAME FROM:			
FIU	28	19	**47**
POLICE (MINISTRY OF INTERIOR)	7	24	**31**
STATE ATTORNEYS OFFICE	24	22	**46**
TOTAL	**59**	**65**	**124**

RESULTS

RESULTS	**TOTAL**		
	2009	2010	2011 (Feb)
Criminal charges	4	2	
Indictments (Misdemeanor)	4	31	
Written warnings	2	7	4

MISDEMEANOR SANCTIONS

	2009	2010	2011 (up to Feb, 22)
Pecuniary sanctions	53000 EUR	69054 EUR	2000 EUR
Temporarly confiscated	1 470 000 EUR	1 190 000 EUR	86000 EUR
Confiscated	700 000 EUR	1 043 000 EUR	56000 EUR

TAX ADMINISTRATION:
2009:

- supervisions of casinos - 31
  - misdemeanours - 9
- supervisions of slot-machine clubs - 60
  - misdemeanours - 10

- supervisions of betting games - 45
    - misdemeanours - 12

2010:

- supervisions of casinos - 13
    - misdemeanours - 4
    - ongoing - 2
- supervisions of slot-machine clubs - 56
    - misdemeanours - 9
    - ongoing - 10
- supervisions of betting games - 24
    - misdemeanours - 5

CROATIAN NATIONAL BANK
INSPECTIONAL SUPERVISION ("ON-SITE") - AML/CFT Data

2009

Inadequancies/irregularities/illegalities	**Total**
Number of inadequancies established in internal by-laws	6
Number of inadequancies established in applicative support	15
Number of other inadequancies and/or irregularities	4
Number of illegalities	0
Number of established inadequancies and/or irregularities that have been corrected in the course of on-site supervision	14
Total	**39**

2010

Inadequacies/irregularities/illegalities	**Total**
Number of inadequacies established in internal by-laws	7
Number of inadequacies established in applicative support	40
Number of other inadequacies and/or irregularities	16
Number of illegalities	1

Number of established inadequacies and/or irregularities that have been corrected in the course of on-site supervision	1
Total	**65**

Fiu administrative supervisions ("off-site")

According to the Article 84 (1) and (2), FIU conducts offsite supervision of compliances with the AML/CFT Law of all reporting entities through the collection and examination of data, information and documentation which reporting entities deliver to the FIU in accordance with the AML/CFT Law.

FIU ADMINISTRATIVE SUPERVISIONS ("OFF-SITE") in 2009.	
REPORTING ENTITY	**supervisions**
Credit institutions	**110**
Credit unions	**9**
Brokers	**8**
Investment fund management companies	**12**
Real estate agencies	**4**
The Croatian Post	**2**
Authorised currency exchange offices	**4**
Notaries public	**2**
Insurance companies	**3**
Leasing companies	**1**
Organisers of games of chance	**1**
The Stock Exchange	**1**
TOTAL	**157**

In 2009 FIU submitted 2 misdemeanor indictments concerning two banks to Financial Inspectorate concerning the misdemeanors prescribed by AMLCFT Law.

FIU ADMINISTRATIVE SUPERVISIONS ("OFF-SITE") in 2010.	
REPORTING ENTITY	**supervisions**
Credit institutions	**69**
Notaries public	**14**
Credit unions	**6**
Lawyers	**3**
Authorised currency exchange offices	**3**
Leasing companies	**2**

	<table><tr><td>The Croatian Post</td><td>2</td></tr><tr><td>Brokers</td><td>2</td></tr><tr><td>Insurance companies</td><td>1</td></tr><tr><td>Organizers of games of chance</td><td>1</td></tr><tr><td>Pension companies</td><td>1</td></tr><tr><td>TOTAL</td><td>104</td></tr></table> In 2010 FIU submitted 2 misdemeanor indictments concerning two banks to Financial Inspectorate concerning the misdemeanors prescribed by AMLCFT Law. Also, in 2010 FIU submitted 1 appeal on first-instance ruling of the Financial Inspectorate concerning the misdemeanors prescribed by AMLCFT Law.
Recommendation of the MONEYVAL Report	*Croatia should maintain statistics regarding extradition requests for money laundering or financing of terrorism including the time required to handle them.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Directorate for international legal assistance within Ministry of Justice keeps record on mutual legal assistance requests and the time required handling them, but the operational programme installed does not recognize the type of criminal offence yet. Certain steps have been taking to adopt the project which shall result in corresponding programme.
Measures taken to implement the recommendations since the adoption of the first progress report	Ministry of Justice will apply for the non-allocated resources within Programme IPA 2010 to establish a reliable, efficient and sustainable IT system for management of cases to be implemented in the International Legal Assistance Sector of the Ministry of Justice in order to increase the efficiency of the mutual legal assistance
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 33 (Legal persons – beneficial owners)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatia should review its commercial, corporate and other laws with a view to taking measures to provide adequate transparency with respect to beneficial ownership. A comprehensive definition of beneficial owner, as provided for in the Glossary to the FATF Recommendations should be embedded in relevant primary or secondary legislation.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Comprehensive definition of beneficial owner, as provided for in the Glossary to the FATF Recommendations, is given in the AMLFT Law. Relevant commercial laws provides obligation of identification of the founder or person who establish the entity. Recent changes of the commercial legislation showed no need for implementation of the "beneficial owner" taking into account new AMLFT Law and legal and practical situation that such entity CAN NOT be financially operational without identification and verification of its "beneficial owner" by relevant financial or other institution providing some financial service.
Measures taken to	

implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Recommendation 35 (Conventions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement all the provisions of the relevant international conventions it has ratified.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	All the provisions of the relevant conventions that have been ratified become an internal part of the domestic legislation and supersede domestic laws.
Measures taken to implement the recommendations since the adoption of the first progress report	As stated in previous reply, all the provisions of the relevant conventions that have been ratified become an internal part of the domestic legislation and supersede domestic laws. When drafting the Act on the Proceedings for the Confiscation of Pecuniary Gains (proceeds of crime) resulting from Criminal Offences and Misdemeanours (Official Gazette of the Republic of Croatia No. 145/2010) provisions of the Act were harmonized with the provisions of international conventions. These are primarily the United Nations conventions: United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Official Gazette – International Treaties No. 4/94), United Nations Convention against Transnational Organized Crime (Official Gazette – International Treaties No. 14/02, 13/03, 11/04), and United Nations Convention against Corruption (Official Gazette – International Treaties No. 2 /05); then the Council of Europe conventions: Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (ETS No. 141 - Official Gazette – International Treaties No. 14/97), Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (Warsaw Convention) and the Criminal Law Convention on Corruption (ETS No. 173 - Official Gazette – International Treaties 11/00). Following rules of the European Union were especially considered: Joint Action of 3 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on money laundering, the identification, tracing, freezing, seizing and confiscation of instrumentalities and the proceeds from crime (98/699/JHA), Council Framework Decision 2003/577/JHA of 22 July 2003 on the execution in the

	European Union of orders freezing property or evidence, Council Framework Decision 2005/212/JHA of 24 February 2005 on Confiscation of Crime-Related Proceeds, Instrumentalities and Property, Council Framework Decision 2006/783/JHA of 6 October 2006 on the application of the principle of mutual recognition to confiscation orders. The provisions directly relating to the implementation of these rules shall enter into force on the day of Croatian entry into the EU. Intention of the Act is to make the procedure for seizure of proceeds of crime clearer and simpler. Furthermore, by this Act Croatian legislation is being harmonized with international treaties binding the Republic of Croatia, especially with the EU regulations which shall come into force when Croatia becomes a member of the European Union.
Recommendation of the MONEYVAL Report	*The requirements of the UN Conventions should be reviewed to ensure that Croatia is fully meeting all its obligations under them. Particularly Croatia should introduce* • *a legal structure for the conversion of designations under S/RES/1267(1999) and its successor resolutions as well as S/RES/1373(2001);* • *a comprehensive and effective system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc.;* • *a system for effectively communicating action taken by the authorities under the freezing mechanisms to the financial sector and DNFBP.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The (new) Law on international measures of restrictions entered into force on December 11, 2008. The Law prescribes the proceedings of the introduction of measures, application and annulment of measures against states, natural and legal persons and other subjects that can be covered by international measures of restrictions pursuant to the acts of United Nations, European Union and other international organisations to which The Republic of Croatia is committed, provides procedure of filing of complaints. Measures of restrictions includes, amongst others, restriction in dealing with property, and property is defined as be assets of every kind, whether tangible or intangible, movable or immovable, and documents and instruments in any form, including electronic or digital, evidencing title to or ownership rights in relation to the asset . The Government of the Republic of Croatia decides on the introduction of measures, determines type of measure, manner of application, time-frame and supervision over application. Legal and natural persons, as well as other authorised subject involved are obliged to act pursuant to the Law, **assuring direct application of measures of restrictions** and to inform promptly Ministry of foreign affairs that co-ordinates application of measures of restrictions.
Measures taken to implement the recommendations since the adoption of the first progress report	See response under SR .III.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means"	See response under SR .III.

and other relevant initiatives	

Special Recommendation I (Implementing UN instruments)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement all the provisions of the relevant international conventions it has ratified; amongst others it should introduce an autonomous terrorist financing offence.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Implementing the relevant convention, the Law on the Amendments to the Criminal Code (entered into force on January 1, 2009) introduce an autonomous offence „Terrorism" at Article 169. Financing of terrorism is criminalised as „Planning criminal offences against values protected by international law" at Article 187.a. Pursuant to Article 187.a, punishment shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the certain criminal offence (including terrorism from Article 169.), irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence and irrespective of whether the act has been attempted ***Law on the Amendments to the Criminal Code („OG" 152/08):*** ***Article 12*** *Title above Article 169 is amended to read: "Terrorism."* *Article 169 is amended and reads:* *(1) Whoever, for the purpose of causing major fear among the population, for the purpose of forcing the Republic of Croatia, foreign states or international organisations to do or not to do something, for the purpose of causing suffering, or for the purpose of seriously jeopardising or destroying the fundamental constitutional, political or social values, the constitutional structure of state authority and the economic units of the Republic of Croatia, of a foreign state or an international organisation, commits one of the following acts: a) attacking a person's life, physical integrity or freedom; b) kidnapping or taking of hostages;* *c) destruction to state or public facilities, a transport system, infrastructure, including IT systems, fixed platforms located on the continental shelf, a public place or private property likely to endanger human life or cause major economic loss;* *d) hijacking of aircraft, ships or other means of public transport or transport of goods for which is likely it can jeopardise human lives* *e) manufacture, possession, acquisition, transport, supply or use of weapons, explosives, nuclear or radioactive material or devices, nuclear, biological or chemical weapons;* *f) research and development of nuclear, biological or chemical weapons;* *g) releasing dangerous substances, or causing fires, explosions or floods or undertaking other generally perilous acts which may endanger people's lives;* *h) disrupting or interrupting the supply of water, electricity or other fundamental natural resources whose effect may endanger people's lives shall be punished by imprisonment for not less than five years.* *(2) Whoever threatens to commit the criminal offence referred to in paragraph 1 of this Article shall be punished by imprisonment for one to five years.* *(3) If the perpetrator, while committing the criminal offence referred to in paragraph 1 of this Article, causes the death of one or more persons with intent,*

	he shall be punished by imprisonment for not less than ten years or by long-term imprisonment. *(4) If, by the criminal offence referred to in paragraph 1 of this Article, the death of one or more persons or large-scale destruction was caused, the perpetrator shall be punished by imprisonment for not less than ten years."* **Article 17** *Article 187a, paragraph 2 is amended to read:* *"(2) The punishment referred to in paragraph 1 of this Article shall be imposed on whoever, in whatever manner, directly or indirectly, gives or raises funds knowing that they will, fully or partially, be used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article."* *Following paragraph 2, paragraphs 3 and 4 are added and read:* *(3) The perpetrator of the criminal offence referred to in paragraph 2 of this Article shall be punished irrespective of whether the funds have been fully or partially used for the purpose of committing the criminal offence referred to in paragraph 1 of this Article and irrespective of whether the act has been attempted.* *(4) The funds referred to in paragraph 2 of this Article shall be forfeited."*
Measures taken to implement the recommendations since the adoption of the first progress report	See response under SR.II.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*A comprehensive system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc. should be introduced.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The (new) Law on international measures of restrictions entered into force on December 11, 2008. The Law prescribes the proceedings of the introduction of measures, application and annulment of measures against states, natural and legal persons and other subjects that can be covered by international measures of restrictions pursuant to the acts of United Nations, European Union and other international organisations to which The Republic of Croatia is committed, provides procedure of filing of complaints. Measures of restrictions includes, amongst others, restriction in dealing with property, and property is defined as be assets of every kind, whether tangible or intangible, movable or immovable, and documents and instruments in any form, including electronic or digital, evidencing title to or ownership rights in relation to the asset . The Government of the Republic of Croatia decides on the introduction of measures, determines type of measure, manner of application, time-frame and supervision over application. Legal and natural persons, as well as other authorised subject involved are obliged to act pursuant to the Law, **assuring direct application of measures of restrictions** and to inform promptly Ministry of foreign affairs that co-ordinates application of measures of restrictions.
Measures taken to implement the recommendations since the adoption of the first progress report	In accordance with the Law on international measures of restrictions the Government of the Republic of Croatia at its session on 16 July 2009 adopted Decision on the establishment of a Standing Coordination Group for Monitoring the Implementation of International Restrictive Measures and for monitoring and Coordinating the Application of the Restrictive Measures. The Standing Coordination Group has the role of monitoring and coordinating the application of the restrictive measures referred to in the Act on International Restrictive Measures, with a view to efficient proposing of monitoring and coordination of the application of the restrictive measures referred to in the Act on International Restrictive Measures, may process Database data on restrictive measures, natural and legal persons and other entities to which the restrictive measures apply, based on the Database, coordinates the application of the restrictive measures, etc. Also, in accordance with the Law on international measures of restrictions the Government of the Republic of Croatia, at its session on 1 July 2010, adopted Decision on the implementation of measures imposed by Resolutions 1267(1999), 1333(2000), 1363(2001), 1373(2001), 1390(2002), 1452(2002), 1455(2002), 1455(2003), 1526(2004), 1617(2005), 1735(2006), (1822(2008), 1904(2009) regarding sanctions against the members of the al-Qaida organisation, Usama Bin Laden and the Taliban and any individuals, groups, undertakings and entities associated with them ("Official Gazette" 89/2010). Considering publicly known procedures for de-listing, above-mentioned Decision regulates the obligation of the Republic of Croatia that it will, after the notification received from Secretariat of the United Nations that certain individual who is Croatian national, or entities situated on the territory of the Republic of Croatia, are going to be listed in the Consolidated list, in a timely manner notify those individuals or entities or inform them on the fact that they are proposed to be listed on the Consolidated list. With that information, following documents will be

	enclosed: - a copy of the explanation on the subject (which can be made public), - all the data on reasons for listing that are available on web-site of the Committee of the Security Council, - description of the expected effects of listing in the Consolidated list, - procedures of the Committee for considering a request for removal from the list, and - provisions of the Resolution 1452 (2002) on available exceptions. The Republic of Croatia will inform the Committee on the above mentioned actions. After receiving all relevant above-mentioned information, documentation and explanations, which include procedures of the Committee for considering a request for removal from the list, an individual or an entity can take action according to the Article 8 of the Act on International Restrictive Measures ("Official Gazette" No 139/08). Article 8 of the Act on International Restrictive Measures prescribes that in the procedure of deciding upon petitions submitted by persons pursuant to regulations passed on the basis of that Act, provisions of the Act on General Administrative Proceedings shall apply. Those petitions shall be decided upon by the ministry competent for the area to which the petitions refer. The Ministry deciding on the petitions may, prior to making the decision, request the opinion of Permanent Coordination Group for Monitoring the Implementation of International Restrictive Measures regarding the petition. After the decision of ministry competent for the area to which the petitions refer, with possible previous opinion of the Permanent Coordination Group, it is possible that the Article 4 (2) of Act on International Restrictive Measures will be applied which prescribes that restrictive measures shall be abolished by the Government's decision. Database on restrictive measures, natural and legal persons and other entities to whom the restrictive measures apply is operational. Concerning the additional communication to the public on international restrictive measures, the Ministry of Foreign Affairs and European Integration made available Government decisions on its web site. Concerning the additional communication with financial sector on international restrictive measures, we can state that CNB` s Committee on the Prevention of Money Laundering and Terrorist Financing instructed credit institutions to report every transaction with persons or entities subject to restrictive measures as a suspicious transaction to the Croatian Financial Intelligence Unit. Links to the lists of persons and entities associated with terrorism who are under some type of sanction are available on the CNB` s web site, under section "Anti Money Laundering and Terrorist Financing": http://www.hnb.hr/novcan/pranje_novca_terorizam/e-pranje-novca-terorizam.htm The relevant lists available on the CNB´s web site are: UN consolidated list, Consolidated List of Persons, Groups and Entities Subject to EU financial sanctions, OFAC Specially Designated National List and World Compliance- Global Sanction List. Currently, Government Decisions are also available on the CNB´s web site: - Decision on the implementation of measures imposed by Resolutions 1267(1999), 1333(2000), 1363(2001), 1373(2001), 1390(2002), 1452(2002), 1455(2003), 1526(2004), 1617(2005), 1735(2006), 1822(2008) i 1904(2009) on the UN Security Council regarding sanctions against the members of the al-Qaida organization,

	Usama bin Laden and the Taliban, and any individuals, groups, undertakings and entities associated with them (Official Gazette 89/2010) - Decision on the implementation of measures imposed by Resolutions 1572(2004), 1584(2005), 1643(2005), 1727(2006), 1893(2009) of the UN Security Council regarding sanctions against the Republic of Cote d´Ivoire (Official Gazette 89/2010); - Decision on the implementation of measures imposed by Resolutions 661(1990), 687(1991), 707(1991), 1483(2003), 1518(2003), 1546(2004) of the UN Security Council regarding sanctions against the Republic of Iraq (Official Gazette 89/2010); - Decision on the implementation of measures imposed by Resolutions 1696 (2006), 1737 (2006), 1747 (2007), 1803 (2008), 1835 (2008), 1887 (2009) and 1929 (2010) of the UN Security Council regarding sanctions against the Islamic Republic of Iran (Official Gazette 120/2010) (Croatian version only) Decision on the implementation of the measures determined by the UN Security Council Resolution 1803 (2008), concerning sanctions imposed on the Islamic Republic of Iran (Official Gazette 68/2008); - Decision on the implementation of the measures determined by UN Security Council Resolution 1747 (2007), and the associated list of entities, concerning sanctions imposed on the Islamic Republic of Iran (Official Gazette 57/2007); - Decision on the implementation of the measures determined by UN Security Council Resolution 1737 (2006), and the associated list of persons, concerning sanctions imposed on the Islamic Republic of Iran (Official Gazette 57/2007); - Decision on the implementation of measures imposed by Resolutions 1493 (2003), 1533 (2004), 1596 (2005), 1649 (2005), 1698 (2006), 1768 (2007), 1771 (2007), 1799 (2008), 1807 (2008) and 1857 (2008) of the UN Security Council regarding sanctions against the Democratic Republic of Congo (Official Gazette 89/2010); - Decision on the implementation of the measures determined by UN Security Council Resolution 1718 concerning sanctions imposed on the Democratic People's Republic of Korea (Official Gazette 24/2007); - Decision on the implementation of measures imposed by Resolution 1636 (2005) of the UN Security Council regarding sanctions against persons suspected by the Committee or the Government of the Republic of Lebanon of having planned, sponsored, organized or committed a terrorist bombing attack in Beirut, the Republic of Lebanon, on 14 February 2005 (Official Gazette 89/2010); - Decision on the implementation of measures imposed by Resolutions 1521 (2003), 1532 (2004), 1683 (2006), 1731 (2006), 1854 (2008) and 1903 (2009) of the UN Security Council regarding sanctions against the Republic of Liberia (Official Gazette 89/2010); - Decision on the implementation of measures imposed by Resolutions 1132 (1997) and 1171 (1998) of the UN Security Council regarding sanctions against the Republic of Sierra Leone (Official Gazette 89/2010); - Decision on the implementation of measures imposed by Resolutions 733 (1992), 751 (1992), 1356 (2001), 1725 (2006), 1744 (2007), 1772 (2007), 1844 (2008), 1846 (2008), 1851 (2008) and 1897 (2009) of the UN Security Council regarding sanctions against the Republic of Somalia (Official Gazette 89/2010); - Decision on the implementation of the measures determined by UN Security Council Resolutions 1556 (2004), 1591 (2005), 1672 (2006), 1679 (2006), and a list of persons subject to measures reffered to in paragraph 3 of Resolution 1591/2005 concerning sanctions imposed on the Sudan (Official Gazette 57/2007). Also, CNB´s Guidelines for the analysis and assessment of money laundering and

	terrorist financing risk for credit institutions and credit unions, prescribe that enhanced CDD shall be applied in the case of customers whose beneficial owner is subject to sanctions imposed in the interest of international peace and security in accordance with the legal acts of the EU and resolutions of the UN Security Council as well as in the case of natural or legal person and other entities included in the list of persons subject to measures issued by the UN Security Council or by the EU.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	Decision on application of international restrictive measure of freezing of assets is in the process of drafting. Legal and natural persons, as well as other authorised subjects involved are obliged to act pursuant to the Law on international measures of restrictions, assuring direct application of measures of restrictions and to inform promptly Ministry of Foreign Affairs and European Integration that co-ordinates application of measures of restrictions. This Decision will further elaborate obligation of all legal and natural persons prescribed by Law to freeze without delay assets of designated persons, further elaborate supervision of application of this international restrictive measure, regulate communication of the action taken by the authorities under the freezing mechanisms to the financial sector and DNFBP etc. Decision on the manner of maintaining the database of international restrictive measures is also in the process of drafting. Drafting of the Decision with which Croatian nationals or residents would be instructed to address their de-listing requests directly to the Office of Ombudsperson in accordance with the UN Guidance on the implementation of sanctions is under consideration, in accordance with item 7. b of Guidelines of the the Al-Qaida and Taliban Sanctions Committee for the Conduct of its Work (Adopted on 7 November 2002, as amended on 10 April 2003, 21 December 2005, 29 November 2006, 12 February 2007, 9 December 2008, 22 July 20101, and 26 January 2011) which prescribes that a State can decide, that as a rule, its nationals or residents should address their de-listing requests directly to the Office of the Ombudsperson.

Special Recommendation V (International co-operation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Enact an autonomous financing of terrorism offence to improve the capacity for rendering mutual legal assistance.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Financing of terrorism is criminalised as „Planning criminal offences against values protected by international law" at Article 187.a of The Law on the Amendments to the Criminal Code (entered into force on January 1, 2009). Every criminal offence that is referred to at Article 187.a (including terrorism from Article 169.) is acceptable for rendering mutual legal assistance. Consequently, such structure of Criminal Code does not affect the full capacity for rendering mutual legal assistance.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above
Recommendation of the MONEYVAL Report	*Enact an autonomous financing of terrorism offence to improve extradition capacity in relation to financing of terrorism offences.*
Measures reported as of 18 March 2009 to implement the Recommendation of	Financing of terrorism is criminalised as „Planning criminal offences against values protected by international law" at Article 187.a of The Law on the Amendments to the Criminal Code (entered into force on January 1, 2009). Every criminal offence

the report	that is referred to at Article 187.a (including terrorism from Article 169.) is extraditable one. Consequently, such structure of Criminal Code does not affect the full capacity to grant extradition.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*To cooperate in terrorist financing cases without impediments, Croatian authorities should amend the AML Law and make it absolutely clear that the prevention of terrorist financing is covered.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Although the Law refers to "ML and/or FT", Article 1 additionally states "(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation VI (AML requirements for money/value transfer services)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement Special Recommendation VI.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Licensing regime and supervision regarding money value transfer service operators will be enforced through enacting new Act on payment services, payment service providers and payment systems. Adoption of the new Act on payment services, payment service providers and payment systems is planned for the end of the second term of 2009 and will enter into force on January 1st 2010.
Measures taken to implement the recommendations since the adoption of the first progress report	**The new PSA** entered into force on January 1st 2011. The PSA governs payment services, payment service providers, obligations of payment service providers to inform payment service users about the conditions for the provision of and about provided payment services, as well as other rights and obligations in relation to the provision and use of payment services, transaction accounts and the execution of payment transactions among credit institutions, the establishment, operation and supervision of payment institutions and the

	establishment, operation and supervision of payment systems. The relevant provisions of the Act are following: **Payment services** **Article 3** Payment services shall be the following services provided by payment service providers as their regular occupation or business activity: 1) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account; 2) services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account; 3) execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device, - execution of credit transfers, including standing orders; 4) execution of payment transactions where the funds are covered by a credit line for a payment service user: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device, - execution of credit transfers, including standing orders; 5) issuing and/or acquiring of payment instruments; **6) money remittance;** and 7) execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of goods and services. **Payment institution and the provision of payment services** **Article 65** (1) A payment institution having its registered office in the Republic of Croatia shall be a legal person which has been authorised by the Croatian National Bank to provide payment services. (2) The Croatian National Bank shall grant authorisation to provide one or several payment services referred to in Article 3 of this Act. (3) Upon receipt of authorization to provide payment services from the Croatian National Bank, a legal person may enter payment services into the register of companies. (4) A legal person may not provide payment services before it obtains authorisation referred to in paragraph (2) of this Article and enters the activity of payment service provision into the register of companies. **Provision of payment services by payment institutions through agents** **Article 76** (1) A payment institution having its registered office in the Republic of Croatia may provide payment services through one or several agents. An agent of a payment institution may be a legal or a natural person in accordance with other regulations. (2) A payment institution which intends to provide payment services through an agent shall obtain a prior decision to enter the agent into the register from the Croatian National Bank. (3) A payment institution shall accompany an application for entry into the register

	referred to in paragraph (2) of this Article with the following: 1) the agent's firm and registered office, or the agent's name and address; 2) a description of the internal control mechanism put in place by the agent to comply with the provisions of the law governing the prevention of money laundering and terrorist financing; 3) for a member of the management board or executive director of the agent which is a legal person, or for the agent who is a natural person, the documentation referred to in Article 69, paragraph (2), item (10) of this Act; and 4) a list of payment services that it intends to provide through agents. (4) The Croatian National Bank may take all actions necessary, including requiring documentation, to verify the accuracy of the information submitted. The Croatian National Bank shall refuse to enter an agent into the register where it establishes, based on the documentation and information referred to in paragraphs (3) and (4) of this Article, that: - the internal control mechanism put in place to comply with the provisions of the law governing the prevention of money laundering and terrorist financing is inadequate, or - that a member of the management board or executive director of the agent which is a legal person, or an agent who is a natural person, does not have a good reputation or the skills and experience required for the provision of payment services. (6) An agent may commence work as of the date a decision to enter the agent into the register is adopted. (7) The Croatian National Bank shall adopt a decision to remove an agent from the register: 1) if a payment institution requests that an agent be removed from the register; 2) if bankruptcy proceedings have been opened against the agent; 3) where the agent is a legal person, upon its removal from the register of companies in the case of a merger, acquisition or division; 4) where the agent is a natural person, upon his/her death; (8) The Croatian National Bank may adopt a decision to remove an agent from the register: 1) if any of the reasons referred to in paragraph (5) of this Article arise; and 2) if the reason referred to in Article 79, paragraph (8) of this Act arises. (9) A payment institution may not provide payment services through an agent: 1) as of the date of submission of the decision referred to in paragraph (7), items (this Article, 2) as of the date of adoption of the decision to open bankruptcy proceedings against the agent; 3) as of the date of removal of the agent from the register of companies in the case of a merger, acquisition or division. According to the new AMLFT Law, money value transfer service operators are reporting entities and are obliged to carry out measures for the prevention and detection of money laundering and terrorist financing as provided for in the AMLFT Law. The relevant provisions of the AMLFT Law are following: **Reporting Entities** **Article 4** (1) Measures, actions and procedures for the prevention and detection of money laundering and terrorist financing laid down in this Law shall be carried out before and/or during each transaction, as well as upon entering into legal arrangements aimed at

	obtaining or using property and in other forms of disposing of monies, rights and other property in other forms which may serve for money laundering and terrorist financing purposes. (2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be: 1. banks, branches of foreign banks and banks from member-states authorised for a direct provision of banking services in the Republic of Croatia; 2. savings banks; 3. housing savings banks; 4. credit unions; **5. companies performing certain payment operations services, including money transfers;** **. . .** Furthermore, pursuant to the provisions of the PSA, in order to get CNB's authorisation to provide payment services, a fit & proper criteria of the holder of a qualifying holding, a member of the management board or executive director of a payment institution must be checked. The relevant provisions are: **Application for authorisation to provide payment services** **Article 69** (1) A payment institution shall submit an application for authorisation to provide payment services to the Croatian National Bank. (2) The application shall be accompanied with the following: **. . .** d) evidence that the holder of a qualifying holding has not been convicted by a final judgement of a crime against the values protected by international law, or of any of the following crimes: – against the security of a payment system and its operation; – relating to the authenticity of documents; – relating to breaches of official duty; – relating to money laundering; – relating to terrorist financing; or – of the violations prescribed in this Act. 10) for a member of the management board of a payment institution, or executive director of a payment institution having the board of directors: a) name, address or domicile and other identification data; b) evidence that he/she has not been convicted by a final judgement of a crime against the values protected by international law, or of any of the following crimes: – against the security of a payment system and its operation; – relating to the authenticity of documents; – relating to breaches of official duty; – relating to money laundering; – relating to terrorist financing; or – of violations prescribed in this Act. **. . .** (3) Exceptionally, the Croatian National Bank shall, on a reasoned request, obtain from the criminal history records the evidence referred to in paragraph (2), item (9), sub-item (2), indent d) and item (10), indent b) of this Article. According to the new AMLFT Law, the Financial Inspectorate conducts supervision of companies performing certain payment operations, including money transfers. The relevant provisions of the AMLFT Law are following: **Other Supervisory Bodies**

	Article 85 (1) The Financial Inspectorate shall conduct supervision of compliance with this Law with all reporting entities referred to in Article 4, paragraph 2 of this Law. The supervision of the reporting entities by the Financial Inspectorate shall be conducted on the basis of money laundering and terrorist financing risk assessment. The Financial Inspectorate shall be entitled to use the assistance from other supervisory bodies in the conducting of supervision of the reporting entities in line with the signed agreements of understanding. **. . .** Pursuant to the penal provisions of the Payment System Act, if a legal or natural person provides payment services before it obtains Croatian National Bank´s authorisation, it will be fined between HRK 20,000.00 and HRK 500,000.00. The relevant provisions of the Payment System Act are following: **PENAL PROVISIONS** **Violations by other persons** **Article 149** (1) A legal or natural person shall be fined between HRK 20,000.00 and HRK 500,000.00: 1) if it provides payment services contrary to the provision of Article 5, paragraph (2) of this Act; 2) if, contrary to the provision of Article 12, paragraph (1) of this Act, it fails to inform the payer of a reduction for the use of a given payment instrument prior to the initiation of a payment transaction; 3) if, in the case referred to in Article 13, paragraph (2) of this Act, it fails to disclose to the payer all charges as well as the exchange rate to be used, prior to the currency conversion; 4) if it, as a payee, levies a charge for the use of a given payment instrument (Article 27, paragraph (6)); or 5) if it provides payment services before it obtains authorisation to provide payment services (Article 65, paragraph (4)). (2) A responsible person of a legal person shall be fined between HRK 5,000.00 and HRK 50,000.00 for any of the violations referred to in paragraph (1) of this Article.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation VII (Wire transfer rules)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Financial institutions should be clearly required to identify customers when carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR VII, when the financial institution has doubts about the veracity or adequacy of previously obtained identification data and when there is a suspicion of terrorist financing.*
Measures reported as of 18 March 2009 to implement the	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations

Recommendation of the report	and correcting the deficiencies. **Wire transfers** **Article 15** 1. Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment. 2. The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk. 3. The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. 4. The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination. 5. The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. 6. The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers. 7. When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation. Wire-transfers related AMLFT Bylaw (RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation) following the REGULATION (EC) No 1781/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 November 2006 on information on the payer accompanying transfers of funds: **Article 3** (1) The payee's payment service provider shall undertake to collect the following payee information: 1. name and surname, address; 2. payee's account number or the unique identification code, i.e. the identifier. (2) Should the payee's address information be unavailable to the payment service provider, the address is to be replaced by the unique identification code or the identifier, i.e. by an identification number or the date and place of payee's birth.

	(3) For individual payee's batch file transfers, the provisions contained in paragraph 1 of this Article shall not apply to individual transfers gathered in the file, provided that the batch file shall contain complete information on the payee and that individual transfers shall contain payee's account number or the unique identification code, i.e. the identifier. Additionally, adequate provisions related to risk assessments and CDD procedure applies (as described in Rec. 5).
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to verify the identity of a customer for all wire transfers of EUR/USD 1000 or more.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Wire transfers** **Article 15** 1. Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment. 2. The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk. 3. The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. 4. The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination. 5. The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. 6. The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers.

	7. When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation. Wire-transfers related AMLFT Bylaw (RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation), following the REGULATION (EC) No 1781/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 November 2006 on information on the payer accompanying transfers of funds: Before making a cash wire transfer, the payee's payment service provider shall identify the payee and verify his/her identity through the review of an official payee's identification document in his/her presence, i.e. from credible and reliable documentation sources. Pursuant to the Article 4 Para 3 of the RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation (Official Gazette No. 1/2009), in the case of transfer of funds not made from an account, the payment service provider of the payer shall verify the information on the payer only where the amount exceeds EUR 1000, unless the transaction is carried out in several operations that appear to be linked and together exceed EUR 1000. **Duties of the Payee's Payment Service Provider** **Article 4** 1. Before making a cash wire transfer, the payee's payment service provider shall identify the payee and verify his/her identity through the review of an official payee's identification document in his/her presence, i.e. from credible and reliable documentation sources. 2. In instances when cash is being transferred from an account, identification may be regarded as performed: a) if the payee's identification was carried out at opening the account; b) if the payee was subsequently subject to customer due diligence in keeping with the Law. 3. In instances when cash transfers shall not be made from an account, the payment service provider is to check the payee information only if the Kuna equivalent amount shall exceed a total of EUR 1,000 or if the transfer shall be conducted in several obviously linked transactions with the Kuna equivalent amount in excess of EUR 1,000. 4. Irrespective of the transaction value, the payee's payment service provider shall identify and verify payee's identity in all instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a person. **Exceptions from the Cash Wire Transfer Data Collection Obligation** **Article 6** (1) The payment service provider shall not collect payee information at cash wire transfers in the following instances: 1. using credit and debit cards, providing that: a) the recipient has entered into a contract with the payment service provider enabling payments for the goods procured and services

	rendered and b) such cash wire transfers are conducted with the unique identification code or the identifier enabling identification of the payee; 2. rendering electronic money-related services: a) when the total amount of payments made on a non-rechargeable electronic data carrier accounts for a total Kuna equivalent of EUR 150; b) when the total amount of payments made on a rechargeable electronic data carrier is limited in a calendar year to a Kuna equivalent of up to EUR 2,500, save for instances in which the electronic money holder shall cash out a Kuna equivalent of EUR 1,000 or more during the same calendar year; 3. use of mobile phones, another digital appliance or an information technology device when the cash wire transfer was conducted in advance and in Kuna equivalent amount of EUR 150; 4. use of mobile phones, another digital appliance or an information technology device when the cash wire transfer was conducted subsequently and meeting the following requirements: a) the recipient shall have a contract with the payment service provider enabling payments for the goods procured and services rendered; b) the wire transfer is conducted with the unique identification code or the identifier enabling identification of the payee; c) the payment service provider shall be a reporting entity referred to in Article 4, paragraph 2 of the Law; 5. the payee withdraws money from his/her own account; 6. the cash wire transfers are being conducted between two clients through accounts, provided that the unique identification code or the identifier accompany the cash wire transfer enabling the identification of a natural or legal person; 7. when using electronic cheques; 8. when paying taxes, fines or other public dues; 9. when the payee and the recipient shall be payment services providers and shall act on their own behalf.
Measures taken to implement the recommendations since the adoption of the first progress report	Pursuant to the Article 64 of the PSA, in January 2011 the Governor of the CNB issued the Decision on payment orders (hereinafter: the Decision). The Decision governs the basic data elements and manner of completion of payment orders for the execution of payment transactions through transaction accounts opened with credit institutions. According to the Decision, the payment orders are: - orders to place funds, - orders to withdraw funds and - orders to transfer funds. The provisions of the Decision which regulate the content of the payment orders are: **II CONTENT OF A PAYMENT ORDER** **Article 3** (1) An order to place funds shall be a payment order requesting the execution of a payment transaction of depositing (placing) cash. (2) An order to place funds shall comprise the following data elements: 1) the name of the payer; 2) the name of the payee; 3) the payee's account number; 4) the name (identifier) of the payee's credit institution;

	5) a currency code; 6) the amount; 7) a payment description; 8) a credit authorisation number; 9) a submission date; 10) authentication; 11) a payment description code; and 12) a statistical characteristic. (3) An order to place funds shall comprise, at a minimum, the data elements referred to in items 1), 3), 5), 6) and 9) of paragraph (2) of this Article. **Article 4** (1) An order to withdraw funds shall be a payment order requesting the execution of a payment transaction of withdrawing (disbursing) cash. (2) An order to withdraw funds shall comprise the following data elements: 1) the name of the payer; 2) the payer's account number; 3) the name of the payee; 4) a currency code; 5) the amount; 6) a payment description; 7) a debit authorisation number; 8) a submission date; 9) authentication; 10) the payee's signature; 11) a payment description code; and 12) a statistical characteristic. (3) An order to withdraw funds shall comprise, at a minimum, the data elements referred to in items 2), 3), 4), 5), 8) and 9) of paragraph (2) of this Article: **Article 5** (1) An order to transfer funds shall be a payment order requesting the execution of a payment transaction of transferring funds. (2) An order to transfer funds shall comprise the following data elements: 1) the name of the payer; 2) the payer's account number; 3) the name (identifier) of the payer's credit institution; 4) the name of the payee; 5) the payee's account number; 6) the name (identifier) of the payee's credit institution; 7) a currency code; 8) the amount; 9) a payment description; 10) the debit authorisation number; 11) the credit authorisation number; 12) the execution date; 13) the submission date; 14) authentication; 15) a payment description code; 16) a statistical characteristic. (3) An order to transfer funds shall comprise, at a minimum, the data elements referred to in items 1), 5), 7), 8), 12) and 14) of paragraph (2) of this Article: (4) An order to transfer funds, requesting the execution of a payment transaction of

	transferring funds from one transaction account to another shall comprise, apart from the data referred to in paragraph (3) of this Article, the data element referred to in item 2) of paragraph (2) of this Article.
Recommendation of the MONEYVAL Report	*Financial institutions should be required to have in place risk-management systems to identify and handle wire transfers that lack full originator information, aimed at detecting transfers of suspicious nature that may result in making an STR report.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Wire transfers** **Article 15** 1. Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment. 2. The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk. 3. The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. 4. The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination. ***5.*** The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. ***(COMMENT: unusual transactions)*** 6. The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers. 7. When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.

Recommendation of the MONEYVAL Report	*Croatian authorities should introduce specific enforceable regulations for all agents which act for global money remittance companies.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	New Act on payment services, payment service providers and payment systems, which is planned to be enacted till the end of the second term of 2009 and enter into force on January 1st 2010, will introduce regulations for agents which act for global money remittance companies.
Measures taken to implement the recommendations since the adoption of the first progress report	**The new PSA,** which entered into force on January 1st 2011, introduces requirements for agents which act for global money remittance companies. The relevant provisions of the PSA are following: **Payment services** **Article 3** Payment services shall be the following services provided by payment service providers as their regular occupation or business activity: 1) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account; 2) services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account; 3) execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device, - execution of credit transfers, including standing orders; 4) execution of payment transactions where the funds are covered by a credit line for a payment service user: - execution of direct debits, including one-off direct debits, - execution of payment transactions through a payment card or a similar device, - execution of credit transfers, including standing orders; 5) issuing and/or acquiring of payment instruments; 6) money remittance; and 7) execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of goods and services. **Payment institution and the provision of payment services** **Article 65** (1) A payment institution having its registered office in the Republic of Croatia shall be a legal person which has been authorized by the Croatian National Bank to provide payment services. (2) The Croatian National Bank shall grant authorization to provide one or several payment services referred to in Article 3 of this Act. (3) Upon receipt of authorization to provide payment services from the Croatian National Bank, a legal person may enter payment services into the register of companies. (4) A legal person may not provide payment services before it obtains authorization referred to in paragraph (2) of this Article and enters the activity of payment service provision into the register of companies. **Provision of payment services by payment institutions through agents**

	Article 76 (1) A payment institution having its registered office in the Republic of Croatia may provide payment services through one or several agents. An agent of a payment institution may be a legal or a natural person in accordance with other regulations. (2) A payment institution which intends to provide payment services through an agent shall obtain a prior decision to enter the agent into the register from the Croatian National Bank. (3) A payment institution shall accompany an application for entry into the register referred to in paragraph (2) of this Article with the following: 1) the agent's firm and registered office, or the agent's name and address; 2) a description of the internal control mechanism put in place by the agent to comply with the provisions of the law governing the prevention of money laundering and terrorist financing; 3) for a member of the management board or executive director of the agent which is a legal person, or for the agent who is a natural person, the documentation referred to in Article 69, paragraph (2), item (10) of this Act; and 4) a list of payment services that it intends to provide through agents. (4) The Croatian National Bank may take all actions necessary, including requiring documentation, to verify the accuracy of the information submitted. The Croatian National Bank shall refuse to enter an agent into the register where it establishes, based on the documentation and information referred to in paragraphs (3) and (4) of this Article, that: - the internal control mechanism put in place to comply with the provisions of the law governing the prevention of money laundering and terrorist financing is inadequate, or - that a member of the management board or executive director of the agent which is a legal person, or an agent who is a natural person, does not have a good reputation or the skills and experience required for the provision of payment services. (6) An agent may commence work as of the date a decision to enter the agent into the register is adopted. (7) The Croatian National Bank shall adopt a decision to remove an agent from the register: 1) if a payment institution requests that an agent be removed from the register; 2) if bankruptcy proceedings have been opened against the agent; 3) where the agent is a legal person, upon its removal from the register of companies in the case of a merger, acquisition or division; 4) where the agent is a natural person, upon his/her death; (8) The Croatian National Bank may adopt a decision to remove an agent from the register: 1) if any of the reasons referred to in paragraph (5) of this Article arise; and 2) if the reason referred to in Article 79, paragraph (8) of this Act arises. (9) A payment institution may not provide payment services through an agent: 1) as of the date of submission of the decision referred to in paragraph (7), items (this Article, 2) as of the date of adoption of the decision to open bankruptcy proceedings against the agent; 3) as of the date of removal of the agent from the register of companies in the case of a merger, acquisition or division. **Supervision of payment institutions** **Article 97** (1) The Croatian National Bank shall exercise supervision of payment institutions.

	(2) The supervision referred in paragraph (1) of this Article shall mean the verification of whether a payment institution operates in accordance with the provisions of this Act and Regulations adopted under this Act, and in relation to its provision of payment services and its activities in accordance with Article 68, items (1) and (2) of this Act. . . . (6) The Croatian National Bank may prescribe in detail the conditions for and the manner of exercising supervision and imposing measures, and the responsibilities of the payment institution's bodies in the course of and following supervision.
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce procedures for banks and the Croatian Post Office dealing with "batch transfers".*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	RULEBOOK on the content and type of information on payees accompanying cash wire transfers, on duties of payment service providers and exceptions from the cash wire transfer data collection obligation (Anti Money laundering and Terrorist Financing Act By-law, entered into force on January 2nd 2009, published in Official Gazette "Narodne novine" No. 1/2009) contains provisions regarding "batch file transfers" which are defined as several individual transfers of funds which are bundled together for transmission. In the case of batch file transfers, payment service providers (banks, savings banks, payment institutions, Croatian Post Inc and e-money institutions), are not obliged to gather complete information on payer for the individual transfers bundled together, provided that the batch file contains that information and that individual transfers carry the account number of the payer or a unique identifier.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce provisions requiring intermediary financial institutions to maintain all the required originator information with the accompanying wire transfers.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of Terrorism Law implementing the Recommendations and correcting the deficiencies. **Wire transfers** **Article 15** 1. Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payee and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, ***data must follow the transfer at all times throughout the course of the chain of payment.*** 2. The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payee and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk.

	3. The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payee referred to in paragraph 2 of this Article or shall ask for payee data supplement within a given deadline. 4. The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination. 5. The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payee information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law. 6. The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers. 7. When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payee by using an official identification document, and credible and reliable sources of documentation.
Measures taken to implement the recommendations since the adoption of the first progress report	See reply above.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation VIII (Non-profit organisations)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*An overall review of the risks in the NPO sector needs to be undertaken.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	FINANCIAL INSPECTORATE OF THE REPUBLIC OF CROATIA ACT **Article 2** Individual terms used in this Act shall have the following meanings: 1. The subject of supervision is a legal person and subject equal to it, a physical tradesperson, a physical person engaged in other independent activity and a physical person (citizen) who submits to the supervision of the Financial Inspectorate pursuant to the provisions of this Act, the Foreign Currency Operations Act, the Money Laundering and Financing of Terrorism Prevention Act, and the legislation according to which the providing of the services of payment transactions and money transfers are regulated.

	2. Subjects equal to legal persons shall be NGOs/associations, endowments, foundations and other legal persons which do not engage in economic activity, as well as religious communities and NGOs/associations that do not have the property of legal personhood and other subjects who do not have legal personhood but act independently in legal transactions, 3. Persons under obligation pursuant to the Money Laundering and Financing of Terrorism Prevention Act shall be legal and physical persons who pursuant to this Act shall be obligated to undertake measures and activities for the prevention and detection of money laundering and the financing of terrorism. THE AML/CFT LAW Pursuant to the Article 4 of the AML/CFT Law (defining reporting entities according to this Law), NPO sector is not designated as a reporting entity according to the AML/CFT Law). Article 3 of the afore mentioned law, defines only term of other legal persons and entities equal to them. 10. Other legal persons, i.e. the entities made equal to them shall be NGOs/associations, endowments and foundations and other legal persons not engaged in an economic activity, as well as religious communities and NGOs/associations without legal personality and other entities without legal personality but appearing autonomously in legal transactions; 23. Non-profit organisations shall be NGO/associations, endowments, foundations, religious communities and other persons which do not perform economic activity; Identifying other legal persons and entities made equal to them and verifying their respective identities Article 21 (1) In cases of NGOs/associations, endowments and foundations and other legal persons who do not perform economic activity, as well as in cases of religious communities and NGOs/associations without properties of a legal person and other entities without legal personality but independently appearing in legal transactions, the reporting entities (for instance bank) shall be obliged to: 1. identify the person authorised to represent, i.e. a representative and verify representative's identity; 2. obtain a power of attorney for representation purposes; 3. collect data referred to in Article 16, paragraph 1, items 1, 2 and 6 of this Law. (2) The reporting entity shall identify the representative and verify the representative's identity referred to in paragraph 1 of this Article via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of an official personal identification document of the representative in his/her presence. Should the document be insufficient to collect all prescribed data, the missing data shall be collected from other valid public document submitted by the representative, i.e. from the representative directly. (3) The reporting entities shall collect data referred to in Article 16, paragraph 1, item 2 of this Law on each natural person who is a member of an NGO/associations or other entity referred to in paragraph 1 of this Article from a power of attorney issued for representation purposes and submitted by the representative to the reporting entity. Should the authorisation be insufficient to enable the collection of all data referred to in Article 16, paragraph 1, item 2 of this Law, the missing data shall be collected from the representative directly. (4) Should the reporting entity have suspicion during the course of identifying the

	person referred to in paragraph 1 of this Article and verifying such person's identity as to the veracity of the collected data or the credibility of documents from which data was collected, the reporting entity must also require the representative to give a written statement before the establishment of a business relationship or the execution of a transaction. Reporting the Office by the Supervisory Bodies on Suspicion of Money Laundering or Terrorist Financing Article 87 (2) In instances when bodies in charge of conducting supervision over the activities of non-profit organisations, save for supervisory bodies referred to in Article 83 of this Law, establish during the conducting of supervision from their scopes of competence that there shall exist reasons for suspicion of money laundering or terrorist financing in relation with the activity of a non-profit organisation, its members or persons related with them, they shall be obliged to notify the Office thereof in writing and without any undue delay (3) In the cases referred to in paragraphs 1 and 2 of this Article, the Office shall, if it judges that there shall be grounds for suspicion of money laundering or terrorist financing, start collecting and analysing data, information and documentation in keeping with its tasks and scope of competence. GUIDELINES and METHODOLOGY RISK CATEGORIES Regarding the type of customers that may pose higher risk to do business with: • Foreign legal person forbidden from conducting trade business in the country of registration, trusts, non-profit organizations etc. Regarding transactions High risk transactions: -transactions in favor of persons whose residence/headquarters are located in countries identified as off-shore financial centers, or in favor of non profit organizations which are located in countries identified as off-shore financial centers or financial tax havens or in countries lacking appropriate AML/CFT laws, regulations and other measures or countries which are non EU or EEA member. The Financial Inspectorate of the Ministry of Finance is currently preparing the Methodology for assessing compliance with the AML/CFT provisions which is going to be used by FI inspectors in the course of supervision. Methodology is going to be prepared by using consultant services from the World Bank consultant. Pursuant to the mentioned Methodology, NPOs are going to be supervised by the FI in accordance with the level of risk accompanying their business activities. Level of risk is going to be assessed by the FI. So, it means that even though, NPOs are not reporting entities according to the AML Law, they are going to be supervised according to the risk assessment made by the FI. FI has also included some of the NPOs into its schedule for the supervision in 2009. Also, FI has established data base containing non-resident accounts (some of them are also hold by the NPOs) and this data base is permanently updated. Transactions that seem to be illogical, as well as unusually high level of payments from/on accounts are possible triggers for supervision. In accordance with a new Ordinance on the Internal Structure and new Systematization of working places a new Department for risk assessment, planning and IT system is going to be established within the Financial Inspectorate. Based on risk assessment made by above mentioned Department, FI is going to make a decision which entities and in which volume are going to be supervised.

Measures taken to implement the recommendations since the adoption of the first progress report	The Financial Inspectorate prepared together with the IMF the Supervisory Manual for authorized persons of the financial inspectorate in conducting examination activities in relation to the application and implementation of AMLFT measures. Pursuant to the mentioned Supervisory Manual, NPOs are supervised by the FI in accordance with the level of risk accompanying their business activities. Level of risk is assessed by the FI and is constantly updated. So, it means that even though, NPOs are not reporting entities according to the AMLFT Law, they are supervised according to the risk assessment made by the FI. FI has also included some of the NPOs into its schedule for the supervision in 2011. Transactions that seem to be illogical, as well as unusually high level of payments from/on accounts are possible triggers for supervision. In accordance with a new Regulation on the Internal Structure and new Systematization of working places a new Department for risk assessment, planning and IT system is established within the Financial Inspectorate. Based on risk assessment made by above mentioned Department, FI makes the decision which entities and in which volume are going to be supervised.
Recommendation of the MONEYVAL Report	*Financial transparency and reporting structures of the NPO sector should be brought in line with the requirements of criteria VIII.2 and VIII.3.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	Central State Administrative Office for Public Administration of the Republic of Croatia, together with its county branches- State Administrative Offices in Counties, is in charge of registering and maintaining register of NPOs in the Republic of Croatia. Register is maintained in electronic form and available on the Central State Administrative Office website (Register of associations, Register of endowments and Register of foundations). Mechanisms for NPO sector supervision are established based on laws regulating business of specific NPO (Law on associations, Law on Endowments and Foundations). Administrative supervision in associations is done by the Central State Administrative Office for Public Administration while inspection is done by the Central State Administrative Office's county branches depending on the headquarter of each association (pursuant to the Article 26, of the Law on Associations) for domestic associations (depending on the headquarter of each association) and by the Central State Administrative Office for Public Administration for foreign associations (pursuant to the Article 26, of the Law on Associations). Supervision over endowments and foundations is being done by the Central State Administrative Office for Public Administration, State Audit and the Ministry of Finance (pursuant to the Article 30 of the Law on endowments and foundations).Central state Administrative Office for Public Administration is in charge of checking whether endowments and foundations perform their business according to their statute. Ministry of Finance (Budget Supervision Department) and State Audit supervise financial business of endowments and foundations if : -they are established by the state, state owned companies or local self government or in cases when state money had been transferred to endowments and foundations. Tax administration is also in charge of NPO sector supervision in terms of Income Tax Law and Profit Tax Law and all other supervisory bodies are also in charge of supervision over NPO sector according to their scope of competence. NPO sector is obliged to maintain business books and to create financial reports according to the Article 3 of the Ordinance on the NPO Sector Accounting. Pursuant to the article 87 of the AMLFT Law; (2) In instances when bodies in charge of conducting supervision over the activities

	of non-profit organisations, save for supervisory bodies referred to in Article 83 of this Law, establish during the conducting of supervision from their scopes of competence that there shall exist reasons for suspicion of money laundering or terrorist financing in relation with the activity of a non-profit organisation, its members or persons related with them, they shall be obliged to notify the Office thereof in writing and without any undue delay (3) In the cases referred to in paragraphs 1 and 2 of this Article, the Office shall, if it judges that there shall be grounds for suspicion of money laundering or terrorist financing, start collecting and analysing data, information and documentation in keeping with its tasks and scope of competence. According to the relevant laws and regulations in the Republic of Croatia, NPO sector can only perform its business in the Republic of Croatia through business accounts opened in the commercial banks (pursuant to the Article 18 of the National Payment system Act; "A business entity is obliged to maintain its funds in the accounts kept with banks and to execute all payments across these accounts"). In this way, banks are obliged to apply exactly the same methods of opening and maintaining their business accounts (CDD measures, account monitoring, reporting to the FIU) as in case of any other client (respecting all AML/CFT measures prescribed by the AML/CFT Law and regulations). Although NPOs are not defined as reporting entities according to the AML/CFT Law, they will be also supervised by the FI according to the risk assessment made by the Department for risk assessment, planning and IT system which is going to be established according to the new Ordinance on the Internal Structure and new Systematisation of working places in the Ministry of Finance. Based on their risk analysis, FI is going to decide which entity and in which scope has to be supervised. Besides, according to the new Ordinance on the Internal Structure and new Systematization of working places, new Department for non-financial and non profit entities is under establishment. This Department will be specialized for the supervision (among the other entities) over the NPO sector according to the conducted risk assessment. All NPOs in the Republic of Croatia are obliged to maintain information on the purpose and objectives of their activities, list of activities, identities of their members and managing persons. This information is part of their statute. They have to be registered at the Central State Administrative Office. All NPOs in the Republic of Croatia are obliged to maintain information on the purpose and objectives of their activities, list of activities, objectives, and membership. This information is part of their statute (Article 11 of the Law on associations, and Article 18 of the Law on endowments and foundations). They have to be registered at the Central State Administrative Office.
Measures taken to implement the recommendations since the adoption of the first progress report	Based on their risk analysis, FI decides which entity and in which scope has to be supervised. Besides, according to the new Regulation on the Internal Structure and new Systematization of working places, Department for non-financial and non profit entities is established. This Department is specialized for the supervision (among the other entities) over the NPO sector according to the conducted risk assessment. All NPOs in the Republic of Croatia are obliged to maintain information on the purpose and objectives of their activities, list of activities, identities of their members and managing persons. This information is part of their statute. They have

	to be registered at the Central State Administrative Office. All NPOs in the Republic of Croatia are obliged to maintain information on the purpose and objectives of their activities, list of activities, objectives, and membership. This information is part of their statute (Article 11 of the Law on associations, and Article 18 of the Law on endowments and foundations). They have to be registered at the Central State Administrative Office. It is important to stress out that in November 2010 AMLO organized a meeting with state authorities responsible for supervision of non-profit organizations (NPOs) on which, after the presentation of relevant national legislation and international standards on AMLCFT concerning the NPOs by the AMLO, all included state authorities agreed on having quarterly meetings on which they will exchange experience on supervision of NPOs. Furthermore, AMLO and Financial Inspectorate will organize education for representatives of those state authorities in March 2011.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means" and other relevant initiatives	

Special Recommendation IX (Cross Border declaration and disclosure)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*In the case of discovery of a false declaration of currency or bearer negotiable instruments or a failure to declare them, Customs authorities should be given for all situations the authority to request and obtain further information from the carrier with regard to the origin of the currency or bearer negotiable instruments and their intended use*.
Measures reported as of 18 March 2009 to implement the Recommendation of the report	According to the Article 11 of the Customs Service Act (OG 67/01) customs authorities conduct supervision and control import and export of domestic and foreign means of payment and prevent and detect all criminal activity and offences related, which means in the cases of suspicion of money laundering or terrorist financing as well. During the performance of the abovementioned supervision and control, customs officials can perform an inspection and search of persons in passenger traffic, the luggage and other items that they carry with them, as well as the inspection and search of their means of transport. Those activities also include detaining of persons for up to 6 hours. Customs authorities can request and obtain all relevant information in cases of discovery of a false declaration of currency or bearer negotiable instruments or a failure to declare them, which means they can request and obtain further information from the carrier with regard to the origin of the currency or bearer negotiable instruments and their intended use as well. The Customs Administration in Croatia is authorized to begin violation proceedings by entering a request to begin such proceedings in accordance with the Misdemeanour Act (OG 88/02 and 122/02). On January 1st, 2009 new Criminal Procedure Act (OG 152/08) entered into force. The new act introduced new term in Article 202 Paragraph 2: investigating officer. That term signifies person who is, according to special regulation based on law, authorized to execute all enquiries concerning gathering of evidence and other activities regarding. The new Customs Service Act has been drafted and at the

	moment is put into adoption procedure by Croatian Parliament. The aforementioned draft has foreseen harmonization of the competences and authorities of customs officers with the new Criminal Procedure Act
Measures taken to implement the recommendations since the adoption of the first progress report	The new Customs Service Act that came into force in July 2009 (OG 83/09) had harmonized the competences and authorities of customs officers with the new Criminal Procedure Act (OG 152/08). The new Customs Service Act in Article 18. Par. 1. gives the authority to customs officers when exercising supervision over enforcement of law and other executive regulations, exercise customs control, control of special taxes, prevent and detect the acts of offences and criminal acts to: -follow, stop, inspect & search vehicles, means of conveyance & goods; -check identity; -inspect a person; -inspect & search business premises, facilities, documentation, examine the authenticity & veracity of documents presented in the customs procedure; -temporarily seize the items & documents; -temporarily restrict the freedom to move; -summon; -collect, process, record & use personal & other data; -make use of means of coercion. These authorities are referring to the entire customs territory of the Republic of Croatia. According to Article 18. Par. 3, the authorized customs officers that are appointed as investigator officers have the authorization of conducting the evidence collecting actions conferred by the State Attorney Office under the Criminal Procedure Act and rules of their profession. According to the Article 3, of the new Customs Service Act, customs authorities, in accordance with exchange regulations, conduct supervision and control import and export of domestic and foreign means of payment. The abovementioned supervision and control can be performed on the entire customs territory of the Republic of Croatia. The Customs Administration in Croatia is authorized to begin misdemeanour proceedings by entering a request to begin such proceedings in accordance with the new Misdemeanour Act (OG 170/07).
Recommendation of the MONEYVAL Report	*When it comes to legally carrying things in or out of the Republic of Croatia and there is a suspicion of criminal activity, Customs should have the power to seize these things.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Customs Administration is authorized for the supervision and control of taking in and taking out of the HR customs area the domestic and foreign payment matter, or cash and cheques, in the traveling cross-border traffic, pursuant to the rules on foreign currency. During the performance of the abovementioned supervision and control, customs officials can perform an inspection and search of persons in passenger traffic, the luggage and other items that they carry with them, as well as the inspection and search of their means of transport. In cases of discovery of a false declaration of currency or bearer negotiable instruments or a failure to declare them, customs authorities can request and obtain all relevant information, which means they can request and obtain further information from the carrier with regard to the origin of the currency or bearer negotiable instruments and their intended use as well. Pursuant to the Article 70 of the Foreign Exchange Act the Customs Administration has authority to withhold and seized, temporarily, cash, checks and other documents and matters used for the execution of the offence, being the result of the offence, or may be used as the evidence in the offence proceeding. According to the Article 11

	of the Customs Service Act (OG 67/01) customs authorities conduct supervision and control import and export of domestic and foreign means of payment and prevent and detect all criminal activity and offences related, which means in the cases of suspicion of money laundering or terrorist financing as well. Pursuant to the Article 70 of the Foreign Exchange Act the Customs Administration has authority to withhold and seized, temporarily, cash, checks and other documents and matters used for the execution of the offence, being the result of the offence, or may be used as the evidence in the offence proceeding. According to the Article 11 of the Customs Service Act (OG 67/01) customs authorities conduct supervision and control import and export of domestic and foreign means of payment and prevent and detect all criminal activity and offences related, which means in the cases of suspicion of money laundering or terrorist financing as well.
Measures taken to implement the recommendations since the adoption of the first progress report	The new Customs Service Act that came into force in July 2009 (OG 83/09) had harmonized the competences and authorities of customs officers with the new Criminal Procedure Act (OG 152/08). The new Customs Service Act in Article 18. Par. 1. gives the authority to customs officers when exercising supervision over enforcement of law and other executive regulations, exercise customs control, control of special taxes, prevent and detect the acts of offences and criminal acts to: -follow, stop, inspect & search vehicles, means of conveyance & goods; -check identity; -inspect a person; -inspect & search business premises, facilities, documentation, examine the authenticity & veracity of documents presented in the customs procedure; -temporarily seize the items & documents; -temporarily restrict the freedom to move; -summon; -collect, process, record & use personal & other data; -make use of means of coercion. These authorities are referring to the entire customs territory of the Republic of Croatia. According to Article 18. Par. 3, the authorized customs officers that are appointed as investigator officers have the authorization f conducting the evidence collecting actions conferred by the State Attorney Office under the Criminal Procedure Act and rules of their profession. According to the Article 3, of the new Customs Service Act, customs authorities, in accordance with exchange regulations, conduct supervision and control import and export of domestic and foreign means of payment. The abovementioned supervision and control can be performed on the entire customs territory of the Republic of Croatia.
Recommendation of the MONEYVAL Report	*Customs should be explicitly entitled to stop/restrain currency or bearer negotiable instruments in the case there is a suspicion of money laundering or terrorist financing.*
Measures reported as of 18 March 2009 to implement the Recommendation of the report	The Customs Administration is authorized for the supervision and control of taking in and taking out of the HR customs area the domestic and foreign payment matter, or cash and cheques, in the traveling cross-border traffic, pursuant to the rules on foreign currency. During the performance of the abovementioned supervision and control, customs officials can perform an inspection and search of persons in passenger traffic, the luggage and other items that they carry with them, as well as the inspection and search of their means of transport. In cases of discovery of a false declaration of currency or bearer negotiable instruments or a failure to declare them, customs authorities can request and obtain all relevant information, which means they can request and obtain further information from the carrier with regard to the

	origin of the currency or bearer negotiable instruments and their intended use as well. Pursuant to the Article 70 of the Foreign Exchange Act the Customs Administration has authority to withhold and seized, temporarily, cash, checks and other documents and matters used for the execution of the offence, being the result of the offence, or may be used as the evidence in the offence proceeding. According to the Article 11 of the Customs Service Act (OG 67/01) customs authorities conduct supervision and control import and export of domestic and foreign means of payment and prevent and detect all criminal activity and offences related, which means in the cases of suspicion of money laundering or terrorist financing as well. On January 1st, 2009 new Criminal Procedure Act (OG 152/08) entered into force. The new act introduced new term in Article 202 Paragraph 2: investigating officer. That term signifies person who is, according to special regulation based on law, authorized to execute all enquiries concerning gathering of evidence and other activities regarding. The new Customs Service Act has been drafted and at the moment is put into adoption procedure by Croatian Parliament. The aforementioned draft has foreseen harmonization of the competences and authorities of customs officers with the new Criminal Procedure Act.
Measures taken to implement the recommendations since the adoption of the first progress report	The new Customs Service Act that came into force in July 2009 (OG 83/09) has harmonized the competences and authorities of customs officers with the new Criminal Procedure Act (OG 152/08). The new Customs Service Act in Article 18. Par. 1. gives the authority to customs officers when exercising supervision over enforcement of law and other executive regulations, exercise customs control, control of special taxes, prevent and detect the acts of offences and criminal acts to: -follow, stop, inspect & search vehicles, means of conveyance & goods; -check identity; -inspect a person; -inspect & search business premises, facilities, documentation, examine the authenticity & veracity of documents presented in the customs procedure; -temporarily seize the items & documents; -temporarily restrict the freedom to move; -summon; -collect, process, record & use personal & other data; -make use of means of coercion. These authorities are referring to the entire customs territory of the Republic of Croatia. According to Article 18. Par. 3, the authorized customs officers that are appointed as investigator officers have the authorization of conducting the evidence collecting actions conferred by the State Attorney Office under the Criminal Procedure Act and rules of their profession. According to the Article 3, of the new Customs Service Act, customs authorities, in accordance with exchange regulations, conduct supervision and control import and export of domestic and foreign means of payment. The abovementioned supervision and control can be performed on the entire customs territory of the Republic of Croatia.
(Other) changes since the first progress report (e.g. draft laws, draft regulations or draft "other enforceable means"	

and other relevant initiatives	

2.4 Specific Questions

Questions and Answers from the first progress report

What steps have been taken, if any to, to deal with the backlog of criminal cases in the Croatian courts?
The Government of the Republic of Croatia has been delivered The National Strategy of Judicial Reform and adopted corresponding Action Plan to deal with, amongst others, courts backlogs. The Supreme Court issued instruction to all courts on giving priority to older cases, particularly to certain types of cases (including money laundering).
Has additional training been provided for law enforcement and judges, particularly on taking of provisional measures at early stages of financial investigations to support more confiscation requests upon conviction?
Aware of the importance of work on the money laundering cases, during year 2008 Judicial Academy of the Ministry of Justice organised 5 workshops in Zagreb, Varaždin, Rijeka, Split an Osijek for the judges and the prosecutors with presentations of all the aspects regarding money laundering cases. There have been over 80 participants. According to the schedule of The Judicial Academy, this activity will go on in 2009. and beyond. As well State Attorney Office of the Republic of Croatia together with Deutsche Stiftung Fur Internationale Rechliche Zusammenarbeit EM organised in Karlovac 16/17 October 2008 seminar for money laundering and seizure of assets derived from criminal activities for about 80 prosecutors.
Have any steps been taken to ensure a more unified and coordinated approach to supervisory issues across the whole financial sector?
In the year 2007, during the CARDS 2003 Twinning project "Preventing and Combating Money Laundering" which the Republic of Croatia conducted with twinning partner the Republic of Austria, the Manual for all participants working in the field of AML/TF was compound. The Manual provides information on role, obligations and powers of relevant bodies as well as their mutual cooperation. HANFA has signed Memorandum of understanding for cooperation and data exchange with: Croatian National Bank and FIU. HANFA also intends to sign the MoU with Ministry of finance. During December 2008 and January 2009, HANFA and FIU jointly organized education for financial institutions in HANFA's jurisdiction an plan to organize education for HANFA's staff regarding AMLTF. There will be ongoing HANFA and FIU education of financial institutions regarding AMLTF. HANFA's AMLTF Guidelines will be authorised by FIU to ensure unified approach to supervisory issues across the whole financial sector. FINANCIAL INSPECTORATE FI (according to its scope of competence) may supervise part of the financial sector (together with other supervisory bodies) and it is primary supervisor of the AML/CFT compliance within the DNFBP sector (except for reporting entities set forth in Article 4, Para 2, Item 13 namely; Organizers of games of chance: lottery games, casino games, betting games, slot-machine gaming, games of chance on the Internet and via other telecommunications means, i.e. electronic communications which are supervised by the Tax Administration of the Croatian Ministry of Finance***)*** Pursuant to the Article 41, (5) The Office, the Financial Inspectorate, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervision Agency, the Croatian Chamber of Notaries Public, the Croatian Bar Association, the Croatian Tax Advisors Chamber, and associations and societies whose members shall be obliged to observe this Law shall cooperate with the reporting entities for the purpose of producing the list of indicators referred to in paragraph 1 of this Article. Pursuant to the Article 58, 1) In the money laundering and terrorist financing prevention and detection, the

Office shall cooperate with the State Attorney's Office of the Republic of Croatia, the Ministry of the Interior – the Police Directorate, the supervisory services of the Ministry of Finance (the Financial Inspectorate, the Customs Administration, the Tax Administration and the Financial Police), the Croatian Financial Services Supervision Agency, the Croatian National Bank, the Security-Intelligence Agency, the Ministry of Foreign Affairs and European Integration, the Ministry of Justice and with other state bodies.
According to the Article 57, of the AML Law; (2) In addition to the tasks referred to in paragraph 1 of this Article, the Office shall also perform the tasks indicated hereunder of relevance for the development of the preventive money laundering and terrorist financing prevention system, including:

1. Cooperating jointly with the supervisory bodies with the reporting entities during the production of the list of indicators for the detection of transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist;
2. Jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issuing guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law;
3. Jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issuing guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law;
4. Taking part in professional training of employees from the reporting entities, government bodies and legal persons with public authorities;
5. Publishing statistical data relative to money laundering and terrorist financing at least once a year;
7. Informs the public in other adequate ways on the forms of money laundering and terrorist financing.

Article 88, Issuing Recommendations and Guidelines
In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other supervisory bodies issue recommendations or guidelines relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law
According to the Article 4, of the Financial Inspectorate Act, With the goal of performing the tasks and assignments from Article 3 of this Act, the Financial Inspectorate shall be authorized to perform the following :

1. independently and in cooperation with the Office for the Prevention of Money Laundering and the Office of the Public Prosecutor, to plan, organize and implement inspection supervision in order to detect punishable offences and collect evidence in the area of money laundering and the financing of terrorism and in the area of foreign currency operations and providing the services of payment operations and money transfer.
2. at the order of the court and the public prosecutor, to provide assistance in the implementation of financial investigations, especially in cases in which it is necessary to procure data on monetary transactions and business documentation of the defendant and on the supervision of the movement of property gains acquired through a criminal offence,
3. to implement the procedure of the forcible collection of monetary fines and the costs of proceedings in minor offence proceedings that it conducts when stipulated by this Act,
4. to cooperate with the Croatian National Bank, the Croatian Agency for the Supervision of Financial Services, the supervisory bodies of the Ministry of Finance and other government bodies and within the framework of its authority to undertake measures for promoting cooperation, Article 26 of the FI Law;

The police, Croatian National Bank, Croatian Agency for the Supervision of Financial Services, supervisory bodies of the Ministry of Finance and other government bodies shall be required to provide assistance to the authorized persons of the Financial Inspectorate at their request in performing supervision inspection, within the limits of their authorities.
Except what was mentioned above, The Financial Inspectorate has in its planed activities for each year,

planed joint educations together with the FIU and the Croatian National Bank. In 2008, there were organized 2 joint educations for the representatives of banks and MVT service providers.
Besides, there was one joint AML/CFT education (organized by FI and FIU) for accountants, auditors and tax advisers in 2008.

Additional questions since the first progress report

1. Following the adoption of the Action Plan which included measures to deal with the backlog of criminal cases and the Supreme Court instruction, what is currently the situation as regards the backlog of criminal cases regarding ML (cases pending)?
Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences entered into force on 1st July 2009. In its Articles 3 and 4 competent State Attorney's offices and competent courts shall supply data on persons and proceedings initiated against money laundering and terrorist financing offences to AMLO (twice a year) using a printed Form which must clearly show the stage of the proceeding at the end of a semester for which data are being supplied. Competent State Attorney's offices and competent courts shall supply data for the first semester of the current calendar year no later than by end-July of the current calendar year, and for the second semester of the current calendar year no later than by end-January of the next calendar year. This obligation of competent State Attorney's offices and competent courts effects backlog in money laundering cases pending at courts. On July 1st, 2009 new Criminal Procedure Act (OG 152/08) entered into force. According to the Article 217 of new CPC the state attorney (if a reasonable suspicion exists that a criminal offence was committed for which the investigation must be conducted) shall issue the order for investigation within ninety days from the date of entry of the crime report in the crime report register which enhances efficiency of the criminal procedure and also effects backlog in money laundering cases pending at courts. Continuous increase in number of investigations, indictments and verdicts shows that backlog in money laundering cases pending at courts is adequately addressed.
2. Please describe how many investigations and convictions for money laundering so far relate to autonomous money laundering and how many relate to self laundering. What are the major underlying predicate offences involved and how many of these cases involve "foreign" predicate offences?
According to the data AMLO received according to the Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences we can describe as follows. In 2009 in the Republic of Croatia there were total of 16 investigations, 15 indictments and 13 court rulings, out of which number regarding self laundering there were 12 investigations, 13 indictments and 8 court rulings. In 2010 in the Republic of Croatia there were total of 11 investigations, 20 indictments and 8 court rulings, out of which number regarding self laundering there were 8 investigations, 9 indictments and 8 court rulings. There were no cases regarding autonomous money laundering. Major underlying predicate offences involved in above mentioned cases are criminal offences related to drug abuse, abuse of power and authority, abuse of power and authority in business operation In above mentioned cases we had 2 cases with "foreign" predicate offence which included three persons.
3. Following the measures taken to improve the legal framework related to provisional measures and confiscation, have there been any changes noted indicating that asset tracing and financial investigations are more effectively conducted and that provisional measures are more regularly applied?
Definition of proceeds of crime (pecuniary gain, pecuniary benefit) is described in Art. 89, para 37 of the Criminal Code (Law on the Amendments of the Criminal Code - Official Gazette of the Republic Croatia

152/08). According to that definition as well as provisions of Art. 82 of the Criminal Code which prescribes seizure of proceeds acquired as a result of criminal offence, proceeds acquired as a result of criminal offence can mean any property derived or obtained, directly or indirectly as a result of criminal offence, whereby property means assets of every kind, regardless whether material or intangible assets, movables or immovable, or legal documents proving the ownership or some right over such ownership.

The New State Attorney Act of 2009 requires very active role of a State Attorney in the new system of criminal procedure and thus in determining and active participation in the seizure of proceeds acquired as a result of criminal offence. Very important innovation brings also provision of Art. 33 para 2 of the State Attorney Act which defines a State Attorney as authorized person, obliged to initiate procedure of seizure, and to participate in the execution the enforcement.

Provision of the Art.82, para 2, 3 and 4 of the Criminal Code introduced refutable assumption of illegality of all property if his/her criminal offence is brought into connection with acquisition of unlawful proceeds. However this is limited only to those criminal offences described in Art.21 of the Act on the Office for Suppression of Corruption and Organised Crime.

Confiscation of proceeds and instrumentalities of money laundering offences or any kind of proceeds acquired as a result of criminal offence is mandatory which can be seen in Art. 82. and Art.279 of the Criminal Code of the Republic Croatia. Also, the Law prescribes the confiscation of proceeds in appropriate counter value, the so called "value confiscation" according to Art. 82 para 5 of the Criminal Code of the Republic Croatia states: "when the impossibility of a confiscation of proceeds is determined the court shall order a person from who proceeds has to be confiscated to pay equivalent amount of money". The said provision applies to all criminal offences and thus to money laundering offences.

Act on the Proceedings for the Confiscation of Pecuniary Gains (proceeds of crime) Resulting from Criminal Offences and Misdemeanours, (Official Gazette of the Republic Croatia - 145/2010) entered into force on 01/01/2011.

The main characteristics of the Act on the procedure for confiscation of pecuniary gain (proceeds of crime) acquired as a result of criminal offence and misdemeanor are:

- The Act in much more detail than provisions of the Chapter XXVIII of the Act on Criminal Procedure governs the procedure of determining proceeds acquired as a result of criminal offence, procedure for ensuring the seizure of proceeds, distress procedure of the court decision on the seizure of proceeds, handling of seized property and property covered with temporary security measure, rights of damaged persons as well as rights of third party.
- Proceeds acquired as a result of criminal offence according to the law the court determines by a verdict.
- In a verdict that finds a defendant guilty for criminal offence the court determines which objects and rights present proceeds acquired as a result of criminal offence as well as their financial equivalent, and that these objects become property, i.e. assets of the Republic Croatia.
- The court orders a defendant or related persons to submit these objects i.e. to transfer the rights or to pay monetary equivalent to the Republic Croatia, and determines that in public registers the right is entered in favour of the Republic Croatia.
- The procedure of seizure of proceeds according to the law can be carried out before, during or after criminal proceedings, even when criminal proceedings can not be carried out due to the circumstances which preclude criminal prosecution, if it is probable that proceeds acquired as a result of criminal offence is at least 5,000 KN.
- The obligation of the all state bodies, banks and other persons is delivery of data to the court.
- To ensure the seizure, the prosecutor is authorised to propose before, during and after completion

of criminal procedure to ensure the seizure with any measure that achieves the purpose and the Act states several of such measures only as example.

- The Central Office for State Property Management manages temporary seized proceeds, submitted objects and transferred rights, as Asset Management Office.

According to art. 11 of the Act on Proceedings for the Confiscation of Pecuniary Benefit Resulting from Criminal Offences and Misdemeanors (Official Gazette of the R Croatia 145/2010) to ensure the seizure of proceeds acquired as a result of criminal offence a proponent to insure is authorised to propose insurance by means of any kind of temporary measure for achieving this purpose before and after initiating criminal proceedings, especially:

- Ban on disposal of property and to burden property or rights registered on the real estate with registration of ban in land registers, seizure of property and its entrust for keeping and management to Asset Management Office;
- To ban the party opposing the insurance to alienate or burden property, by seizing the objects and entrusting them for keeping to Asset Management Office;
- By confiscating and depositing cash and securities and handing the over to the Asset Management Office;
- By prohibiting the debtor of the opposing party to voluntarily fulfill their obligation towards the opposing party and by prohibiting the opposing party to receive the fulfillment of the respective obligation, i.e. to access their claims;
- To order a bank to forbid the party opposing the insurance or third party, on the basis of the order of the party opposing the insurance, to pay from the account the amount for which is determined provisional measure;
- To ban alienation and burden of stocks, shares, or business shares with registering the ban in the book of shares, stocks or business interests, and if necessary also in the public register, ban on use or disposal with rights on the basis of such stock, shares or business interests, by entrusting stocks, shares or business shares to management of Asset Management Office, and to appoint of a temporary management for the company;
- By prohibiting the debtor of the opposing party to submit property, transfer a right or perform another non-monetary action towards the opposing party.

In 2009 on the basis of art. 82 of the Criminal Code only for criminal offences of organised crime the property valued 27.432.382. KN and 79.610. EURO[9] was confiscated. For the same criminal offences in period from 1.1. - 15.10.2010 was confiscated a total of 24.613.633. KN, 98.383. EURO and 100 USD.

4. Please report on the international co-operation requests received and sent (between 2008 - to date) regarding ML/FT (covering FIU to FIU cooperation, mutual legal assistance requests, exchange of information and cooperation between supervisory authorities).

In 2009 AMLO sent 235 requests to foreign FIUs in 62 states with a purpose of receiving information necessary for prevention and detection of ML/TF and received 120 requests from foreign FIUs in 58 states with a purpose of receiving information necessary for prevention and detection of ML/TF.
In 2010 AMLO sent 420 requests to foreign FIUs in 113 states with a purpose of receiving information necessary for prevention and detection of ML/TF and received 101 requests from foreign FIUs from 31 states with a purpose of receiving information necessary for prevention and detection of ML/TF.

In 2009, mutual legal assistance in criminal matters related to Money Laundering, have been executed mainly through Strasbourg Convention and Warsaw Convention which included total of 5 received requests and 8 sent requests for MLA related to money laundering. All received and sent requests

[9] Based on an exchange rate of 14 March 2011

contained investigatory actions, requests concerning bank accounts of suspects, including seizure of assets.
In 2010, mutual legal assistance in criminal matters related to Money Laundering, have been executed mainly through Strasbourg Convention and Warsaw Convention which included total of 4 received requests and 7 sent requests for MLA related to money laundering. All received and sent requests contained investigatory actions, requests concerning bank accounts of suspects, including seizure of assets.
Directorate for international legal assistance within Ministry of Justice keeps record on mutual legal assistance requests and the time required handling them, but the operational programme installed does not recognize the type of criminal offence yet. Ministry of Justice will apply for the non-allocated resources within Programme IPA 2010 to establish a reliable, efficient and sustainable IT system for management of cases to be implemented in the International Legal Assistance Sector of the Ministry of Justice in order to increase the efficiency of the mutual legal assistance. At this moment it is possible to receive approximate data on e.g. mutual legal assistance requests in 2010 in criminal matters (total of app 12.000 requests) out of which number a certain number of cases is related to MLA concerning money laundering offence. Supervisory authorities regularly exchange information and co-operate.

2.5 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)[10]

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	With the adoption of new AMLFT Law and related Bylaws, since 01/01/2009 the Third Directive and the Implementation Directive have been fully implemented.

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive[11] (please also provide the legal text with your reply)	**Customer's Beneficial Owner** **Article 23** (1) The beneficial owner shall be: 1. with legal persons, branches, representative offices and other entities subject to domestic and foreign law made equal with a legal person: - the natural person who ultimately owns or controls a legal entity through direct or indirect ownership or a natural person who controls a sufficient percentage of shares of voting rights in that legal person, and a percentage of 25 per cent plus one share shall be deemed sufficient to meet this requirement, - a natural person who otherwise exercises control over management of a legal person; 2. with legal persons, such as endowments and legal transactions such as trust dealings which administer and distribute monies:

[10] For relevant legal texts from the EU standards see Appendix II.

[11] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II.

	- where the future beneficiaries have already been determined, the natural person who is the beneficial owner of 25% or more of the property rights of the legal transaction, - where natural or legal persons who will benefit from the legal transactions have yet to be determined, the persons in whose main interest the legal transaction or legal person is set up or operates; - natural person who exercises control over 25% or more of the property rights of the legal transaction. 3. a natural person who shall control another natural person on whose behalf a transaction is being conducted or an activity performed.

Risk-Based Approach	
Please indicate the extent to which financial institutions have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	Pursuant to Article 14 of the Anti Money Laundering and Terrorist Financing Law, which prescribes exemptions from conducting due diligence measures for some products which represent a negligent money laundering or terrorist financing risk, it is allowed for insurance companies, pension companies and companies for the issuance of electronic money not to conduct CDD measures under prescribed circumstances. According to Para 1 of the relevant article, insurance companies licensed for the performance of life insurance business, the business units of insurance companies from third countries licensed for the performance of life insurance business, insurance companies from member-states which are to establish a business unit in the Republic of Croatia or are authorized to directly perform life insurance business in the Republic of Croatia, pension companies, as well as legal and natural persons performing business or activity of insurance representation or intermediation for entering into life insurance agreements, may be allowed not to conduct the CDD measures under the following circumstances: 1. with contracting life insurance policies in which individual premium instalment or several insurance premium instalments to be paid within one year does not exceed a total kuna equivalent amount of EUR 1,000.00 or in cases when single premium payment does not exceed the kuna equivalent value of EUR 2,500.00; 2. with contracting pension insurances providing that: a) types of insurance are being contracted whereby it is not possible to transfer the insurance policy to a third person or use it as collateral for a credit or loan, and b) a contract is entered into with a closed-end pension fund if the employer pays the contributions into the voluntary pension fund on behalf of the fund's members. Pursuant to Para 2 of the relevant article, companies for the issuance of electronic money, companies for the issuance of electronic money from another member-state and business units of foreign companies for the issuance of electronic money may be allowed not to conduct CDD measures in the following instances: 1. with issuing electronic money, if the single amount of payment executed for the issuance of such a money, on an electronic data carrier which may not be recharged, does not exceed kuna equivalent value totalling EUR 150.00; 2. with issuing electronic money and performing business with it if the total amount of the executed payments, stored on an electronic data carrier which may be recharged, does not exceed kuna equivalent value totalling EUR

	2,500.00 during the current calendar year, save for cases in which the holder of electronic money cashes out a kuna equivalent amount of EUR 1,000.00 or more during the same calendar year. Para 3 of the relevant article defines that the Minister of Finance may issue a rulebook to prescribe that a reporting entity may be excluded from the obligation of conducting customer due diligence when conducting certain transactions referred to in Article 9, Para 1, item 2 of the Law and in respect of other products and transactions associated with them, which shall represent a negligent money laundering or terrorist financing risk. By way of derogation from these provisions, the exclusion from conducting CDD in respect of a customer, product or transaction is not allowed when there are reasons for suspicion of money laundering or terrorist financing. Simplified CDD is prescribed by Article 35 of the Law and it is allowed if the customer is: 1. reporting entity referred to in Article 4, Para 2, items 1, 2, 3, 6, 7, 8, 9 and 10 of the Law (bank, savings bank, housing savings bank, Croatian Post Inc, investment funds management companies, pension companies, companies authorized to do business with financial instruments, insurance companies) or other equivalent institutions under the condition that such an institution shall be seated in a member-state or a third country; 2. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers; 3. companies whose securities have been accepted and traded on the stock exchanges or the regulated public market in one or several member-states in line with the provisions in force in the European Union, i.e. companies seated in a third country whose securities have been accepted and traded on the stock exchanges or the regulated public market in a member-country or a third country, under the condition that the third country have the disclosure requirements in effect in line with the legal regulations in the European Union; 4. persons referred to in Article 7, Para 5 of the Law for which a negligent money laundering or terrorist financing risk shall exist. By way of derogation from these provisions, a reporting entity establishing a correspondent relationship with a bank or other credit institution seated in a third country shall conduct the enhanced customer due diligence in keeping with the provisions contained in Article 30, Para 1, item 1 of the Law.

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and	The criteria for identifying PEPs is in accordance with the provisions in the Third Directive and the Implementation Directive: **Foreign Politically Exposed Persons** **Article 32** (1) The reporting entities shall be obliged to apply an adequate procedure to determine whether or not a customer is a foreign politically exposed person.

the Implementation Directive[12] are provided for in your domestic legislation (please also provide the legal text with your reply).	(2) The procedure referred to in paragraph 1 shall be defined through an internal reporting entity's enactment taking account of guidelines given by the competent supervisory body referred to in Article 83 of this Law. (3) A foreign politically exposed person referred to in paragraph 1 of this Article shall be any natural person with permanent address or habitual residence in a foreign country who shall act or had acted during the previous year (or years) at a prominent public function, including their immediate family members, or persons known to be close associates of such persons. (4) Natural persons who shall act or had acted at a prominent public function shall be: a) presidents of countries, prime ministers, ministers and their deputies or assistants; b) elected representatives of legislative bodies; c) judges of supreme, constitutional and other high courts against whose verdicts, save for exceptional cases, legal remedies may not be applied; d) judges of financial courts and members of central bank councils; e) foreign ambassadors, consuls and high ranking officers of armed forces; f) members of management and supervisory boards in government-owned or majority government-owned legal persons. (5) The immediate family members referred to in paragraph 3 of this Article shall be: spouses or common-law partners, parents, siblings, as well as children and their spouses or common-law partners. (6) The close associate referred to in paragraph 3 of this Article shall be any natural person who shall share common profits from property or an established business relationship, or a person with which the person referred to in paragraph 3 of this Article shall have any other close business contacts. (7) Should the customer who shall establish a business relationship or conduct a transaction, i.e. should the customer on whose behalf the business relationship is being established or the transaction conducted be a foreign politically exposed person, the reporting entity shall in addition to the measures referred to in Article 8, paragraph 1 of this Law also take actions listed hereunder within the framework of the enhanced customer due diligence: 1. gather data on the source of funds and property which are or will be the subject matter of the business relationship or transaction, from documents and other documentation supplied by the customer. Should it be impossible to collect data in the described manner, the reporting entity shall collect data directly from a customer's written statement; 2. an employee of the reporting entity who shall run the procedure of business relationship establishment with a customer who is a foreign politically exposed person shall mandatorily obtain written consent from the superior responsible person before establishing such a relationship; 3. after the establishment of the business relationship, the reporting entity shall exercise due care in monitoring transactions and other business activities performed by a foreign politically exposed person with the reporting entity.

[12] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or TF investigations.	In July 2007 new Law on Data Secrecy came into force defining all secret data received and used for the needs of official bodies as "classified" with relevant level of secrecy. The AMLFT Law, in accordance with this Law, states that information on specific AMLO activities and information collected according to the AMLFT Law linked with money laundering or terrorist financing shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. Tipping off of this classified data does not present a misdemeanour and it is not prescribed as such by the AMLFT Law, but unauthorised disclosure of official secret and criminal activity punished by the Criminal Code. Taking into account that the Criminal Code defines an official secret as an information received and used for the needs of official bodies, and considering that "classified data" presents official secret, recent changes of the same Law (December 2008) find no need to change this definition, and tipping off by the relevant legal interpretation presents a criminal offence of "Disclosure of an Official Secret" of the Criminal Code, punishable by 1 - 10 years imprisonment. **AMLCFT Law:** **Section 1** DATA PROTECTION **Secrecy of the Collected Data and of the Procedures** **Article 75** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees, including members of management and supervisory boards and other managerial bodies and other persons who have any type of access and availability of data collected in accordance of this Law shall not be allowed to disclose the information listed hereunder to a customer or a third person: 1. that the Office was or will be supplied with a piece of data, information or documentation on the customer or a third person or a transaction referred to in Article 42, Article 54, paragraphs 1 and 2 and Article 59 of this Law; 2. that the Office had temporarily suspended the execution of a suspicious transaction, i.e. gave instructions thereof to the reporting entity on the basis of Article 60 of this Law; 3. that the Office requested ongoing monitoring of a customer's financial operations on the basis of Article 62 of this Law; 4. that a pre-investigative procedure has commenced or might be commenced against a customer or a third person due to suspicion of money laundering or terrorist financing. (2) The Office shall not be allowed to communicate the collected data, information and documentation and the course of action on the basis of this Law to persons to which data, information and documentation or action shall pertain, or to third persons. (3) Information referred to in paragraphs 1 and 2 of this Article, reports on transactions suspected to be linked with money laundering or terrorist financing referred to in Article 65 of this Law shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. (4) The Head of the Office, and the person authorised by the Head of the Office to that end shall be entitled to decide on data declassifying and the exclusion from data secrecy observance.

(5) The prohibition of information disclosure referred to in paragraph 1 of this Article shall not be valid if:

3. data, information and documentation collected and kept by the reporting entity in accordance with this Law shall be needed for the purpose of establishing facts in a criminal procedure and if the supply of such data was requested from or ordered to the reporting entity by a competent court in writing;
4. data from the previous item shall be required by a competent supervisory body referred to in Article 83 of this Law for the purpose of conducting supervision over a reporting entity in its implementation of the provisions of this Law and the initiation of a misdemeanour procedure.

(6) An attempt on the part of persons involved in the performance of professional activities referred to in Article 4, paragraph 2 to dissuade a customer from engaging in an illegal activity shall not represent information disclosure within the meaning of paragraph 1 of this Article.

Exemptions from the Data Secrecy Principle Observance
Article 76

(1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law shall not represent the disclosure of classified data, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret.

(2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and:

9. supply the Office with data, information and documentation on their customers;
10. collect and process customer data, information and documentation;
11. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order;
12. carry out an order issued by the Office on ongoing monitoring of customer's financial operations.

(3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if:

5. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction;
6. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.

Use of the Collected Data
Article 77

(1) The Office, the reporting entities referred to in Article 4, paragraph 2 of this Law, the state bodies, the legal persons with public authorities and other entities

	referred to in Article 64 of this Law and their employees shall be allowed to use data, information and documentation they gathered in accordance with this Law only for the money laundering and terrorist financing prevention and detection purposes, unless prescribed otherwise. (2) The courts and the competent State Attorney's Offices shall be allowed to use data they received on the basis of Article 73 of this Law solely for the intended purpose of receipt.
With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	In July 2007 new Law on Data Secrecy came into force defining all secret data received and used for the needs of official bodies as "classified" with relevant level of secrecy. The AMLFT Law, in accordance with this Law, states that information on specific AMLO activities and information collected according to the AMLFT Law linked with money laundering or terrorist financing shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. Tipping off of this classified data does not present a misdemeanour and it is not prescribed as such by the AMLFT Law, but unauthorised disclosure of official secret and criminal activity punished by the Criminal Code. Taking into account that the Criminal Code defines an official secret as an information received and used for the needs of official bodies, and considering that "classified data" presents official secret, recent changes of the same Law (December 2008) find no need to change this definition, and tipping off by the relevant legal interpretation presents a criminal offence of "Disclosure of an Official Secret" of the Criminal Code, punishable by 1 - 10 years imprisonment. **AMLFT Law:** **Section 1** DATA PROTECTION **Secrecy of the Collected Data and of the Procedures** **Article 75** (1) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees, including members of management and supervisory boards and other managerial bodies and other persons who have any type of access and availability of data collected in accordance of this Law shall not be allowed to disclose the information listed hereunder to a customer or a third person: 5. that the Office was or will be supplied with a piece of data, information or documentation on the customer or a third person or a transaction referred to in Article 42, Article 54, paragraphs 1 and 2 and Article 59 of this Law; 6. that the Office had temporarily suspended the execution of a suspicious transaction, i.e. gave instructions thereof to the reporting entity on the basis of Article 60 of this Law; 7. that the Office requested ongoing monitoring of a customer's financial operations on the basis of Article 62 of this Law; 8. that a pre-investigative procedure has commenced or might be commenced against a customer or a third person due to suspicion of money laundering or terrorist financing. (2) The Office shall not be allowed to communicate the collected data, information and documentation and the course of action on the basis of this Law to persons to which data, information and documentation or action shall pertain, or to third persons. (3) Information referred to in paragraphs 1 and 2 of this Article, reports on transactions suspected to be linked with money laundering or terrorist financing

	referred to in Article 65 of this Law shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them. (4) The Head of the Office, and the person authorised by the Head of the Office to that end shall be entitled to decide on data declassifying and the exclusion from data secrecy observance. (5) The prohibition of information disclosure referred to in paragraph 1 of this Article shall not be valid if: 5. data, information and documentation collected and kept by the reporting entity in accordance with this Law shall be needed for the purpose of establishing facts in a criminal procedure and if the supply of such data was requested from or ordered to the reporting entity by a competent court in writing; 6. data from the previous item shall be required by a competent supervisory body referred to in Article 83 of this Law for the purpose of conducting supervision over a reporting entity in its implementation of the provisions of this Law and the initiation of a misdemeanour procedure. (6) An attempt on the part of persons involved in the performance of professional activities referred to in Article 4, paragraph 2 to dissuade a customer from engaging in an illegal activity shall not represent information disclosure within the meaning of paragraph 1 of this Article. **Exemptions from the Data Secrecy Principle Observance** **Article 76** (1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law shall not represent the disclosure of classified data, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret. (2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and: 13. supply the Office with data, information and documentation on their customers; 14. collect and process customer data, information and documentation; 15. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order; 16. carry out an order issued by the Office on ongoing monitoring of customer's financial operations. (3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if: 7. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction; 8. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.

	Use of the Collected Data **Article 77** (1) The Office, the reporting entities referred to in Article 4, paragraph 2 of this Law, the state bodies, the legal persons with public authorities and other entities referred to in Article 64 of this Law and their employees shall be allowed to use data, information and documentation they gathered in accordance with this Law only for the money laundering and terrorist financing prevention and detection purposes, unless prescribed otherwise. (2) The courts and the competent State Attorney's Offices shall be allowed to use data they received on the basis of Article 73 of this Law solely for the intended purpose of receipt.

"Corporate liability"	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	Yes, pursuant to The Act on the Responsibility of Legal Persons for the Criminal Offences (Article 3). A person who occupies a leading position within a legal person is defined as a natural person in charge of the operations of the legal person or entrusted with the tasks from the scope of operation of the legal person (Article 4). *Act on the Responsibility of Legal Persons for the Criminal Offences:* **Foundation of responsibility of legal persons** **Article 3** *(1) The legal person shall be punished for a criminal offence of a responsible person if such offence violates any of the duties of the legal person or if the legal person has derived or should have derived illegal gain for itself or third person.* *(2) Under the conditions referred to in paragraph 1 of this Article the legal person shall be punished for the criminal offences prescribed by the Criminal Code and other laws prescribing the criminal offences.* **Responsible person** **Article 4** *The responsible person within the meaning of this Act is a natural person in charge of the operations of the legal person or entrusted with the tasks from the scope of operation of the legal person.*
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Yes. Same as answer 1, assuming that lack of supervision or control of a natural person in charge can be established as a criminal offence itself.

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all	*There are no CTR obligations regarding the restriction of cash operations:* **Restrictions in Cash Operations** **Article 39** (1) Cash collections exceeding the amount of HRK 105,000.00 shall not be

goods where payments are made in cash in an amount of € 15 000 or over.	permitted in the Republic of Croatia, i.e. in the arrangements with non-residents valued in excess of EUR 15,000.00 at: - selling goods and rendering services; - sales of real-estate; - receiving loans; - selling negotiable securities or stakes. (2) The limitation of receiving cash payments referred to in paragraph 1 of this Article shall also be in effect in instances when the payment with the said transaction shall be conducted in several interrelated cash transactions jointly exceeding HRK 105,000.00, i.e. a value of **EUR 15,000.00**. (3) The cash collection limitation shall **pertain to all legal and natural persons who shall receive cash through the said transactions during the performance of their registered business activities**. (4) The collections exceeding the amounts prescribed in paragraphs 1 and 2 of this Article must be conducted via non-cash means through a bank account, unless provided for otherwise in another law.

Answers to the questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC) remain the same as in the First written progress report.

2.6 Statistics

Money laundering and financing of terrorism cases

a) Statistics provided in the first progress report

2005												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	2	2	3	3								
FT												

2006												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	20	28	15	21	2	2	6	14.800.000,00			4	306.000,00
FT												

2007												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	7	7	2	4	2	4	1	3.000.000,00			2	25.000,00
FT												

2008												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	5	10	11	19	2	5					2	325.000,00
FT												

2009												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML												
FT												

b) Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

2009[13]												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	6	16	9	15	1	1	3	3.050.000,00	3		3	1.350.000,00
FT												

[13] judicial statistics collected according to the Article 82 (1) and (2) of the AMLCFT Law and Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money, laundering and terrorist financing offences entered into force on 1st July 2009, see Annex 1 for details

2010[14]												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	3	11	5	20	2	2					2	165.000,00
FT												

01/01 – 28/02/2011												
	Investigations		Prosecutions		Convictions (final)		Proceeds frozen		Proceeds seized		Proceeds confiscated	
	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	1	4*					0	0				
FT												

* It is important to stress out that this total number of 4 includes 1 legal person which is under investigation for ML

STR/CTR

a) Statistics provided in the first progress report

2005															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		cases opened by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
commercial banks	26919	2622		166 (282)		70									
insurance companies	12	4													
notaries	1	4													
currency exchange	101	5													
broker companies		2													

[14] judicial statistics collected according to the Article 82 (1) and (2) of the AMLCFT Law and Rulebook on the manner of and deadlines for supplying the Anti Money Laundering Office with data on the money laundering and terrorist financing offences entered into force on 1st July 2009, see Annex 1 for details

securities' registrars															
lawyers		2													
accountants/auditors															
savings and loan co-operatives	251	34													
investments funds	4499	1													
Financial Agency,Croatian Post	2443	9													
casinos etc.	13	12													
others - real estate, leasing agencies etc.	93	59													
governmental institutions, FIUs etc.		(154)													
Total	**34334**	**2754 (2908)**													

2006															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
commercial banks	35077	2602													
insurance companies	7	9													
notaries		1													
currency exchange	136	17													
broker companies	8844	11													
securities' registrars															
lawyers		1													
accountants/auditors															
savings and loan co-operatives	143	30		136 (281)		87									
investments funds		4													
Financial Agency,Croatian Post	2074	4													
casinos etc.	40	18													
others - real estate, leasing agencies etc.	46	46													
governmental institutions, FIUs etc.		(148)													
Total	**46367**	**2743 (2891)**													

2007															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
commercial banks	63331	2541		142 (321)	1	119	1								
insurance companies		142													
notaries															
currency exchange	270	1													
broker companies	15030	2													
securities' registrars															
lawyers		1													
accountants/auditors															
savings and loan co-operatives	207														
investments funds															
Financial Agency,Croatian Post	2210														
casinos etc.	55														
others - real estate, leasing agencies etc.	92														
governmental institutions, FIUs etc.		(169)	(1)												
Total	**81195**	**2688 (2857)**	**(1)**												

2008															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
commercial banks	101068	1948	4	116 (298)	6	97	6								
insurance companies		175													
notaries	3	2													
currency exchange	523														

broker companies	1125	5														
securities' registrars																
lawyers																
accountants/auditors																
savings and loan co-operatives	162															
investments funds	12399	3														
Financial Agency,Croatian Post	2060	20														
casinos etc.	61															
others - real estate, leasing agencies etc.	65															
governmental institutions, FIUs etc.		(170)	(2)													
Total	**117466**	**2153 (2323)**	**4 (6)**													

2009/01															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
commercial banks	5166	67	1												
insurance companies															
notaries															
currency exchange															
broker companies															
securities' registrars															
lawyers															
accountants/auditors															
savings and loan co-operatives				24 (47)	1	6	1								
investments funds															
Financial Agency,Croatian Post	118														
casinos etc.															
others - real estate, leasing agencies etc.	1														
governmental institutions, FIUs etc.		23													
Total	**5285**	**67 (90)**	**1**												

b) Please complete, to the fullest extent possible, the following tables since the adoption of the first progress report

Explanatory note:
The statistics under this section should provide an overview of the work of the FIU.
The list of entities under the heading "*monitoring entities*" is not intended to be exhaustive. If your jurisdiction covers more types of monitoring entities than are listed (e.g. dealers in real estate, supervisory authorities etc.), please add further rows to these tables. If some listed entities are not covered as monitoring entities, please also indicate this in the table.
The information requested under the heading "*Judicial proceedings*" refers to those cases which were initiated due to information from the FIU. It is not supposed to cover judicial cases where the FIU only contributed to cases which have been generated by other bodies, e.g. the police.
"C*ases opened*" refers only to those cases where an FIU does more than simply register a report or undertakes only an IT-based analysis. As this classification is not common in all countries, please clarify how the term "cases open" is understood in your jurisdiction (if this system is not used in your jurisdiction, please adapt the table to your country specific system).

2009															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above treshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement / prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial banks	54.168	341	3	144[15] (175)[16]	3 (3)[17]	106 (20)[18]	8	4	7			2	4		
Insurance companies	0	0													
Notaries	0	2													
Currency exchange	500	2													
Broker companies	94	0													
Investments funds	706	7													
Lawyers	0	0													
Accountants/Auditors	0	0													
Financial Agency	1275	0													
Organisers of games of chance	68	0													
The Croatian Post	6	60													
Credit unions	130	0													

[15] cases opened on the basis of STRs received from reporting entities

[16] cases opened on the basis of STRs received from governmental institutions (109 for ML) and foreign FIUs (66 for ML)

[17] cases opened on the basis of STRs received from governmental institutions (3 for FT)

[18] information which provides support to existing or possible money laundering investigations

Providers of credit cards	0	1													
Real estate agencies	2	0													
Governmental institutions[19]		150	3												
foreign FIUs		66	0												
TOTAL	**56.949**	**629**[20]	**6**												

2010															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above treshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement / prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial banks	55.936	301	6	152[21] (171)[22]	4 (7)[23]	109 (48)[24]	7	3	15			1	1		
Insurance companies	0	0													
Notaries	0	23													
Currency exchange	406	0													
Broker companies	0	3													
Investments funds	0	2													
Lawyers	0	5													
Accountants/Auditors	0	0													
Financial Agency	891	0													
Organisers of games of chance	21	0													
The Croatian Post	17	63													
Credit unions	162	0													
Providers of credit and loans	35	0													
Leasing agencies	0	2													
Pension companies	0	1													

[19] for details of interagency cooperation see Annex 2

[20] difference in total number of received STRs for ML and TF (629+6) and number of opened analytical cases exists because some of the STRs are reported concerning persons for which FIU has already opened analytical cases.

[21] cases opened on the basis of STRs received from reporting entities

[22] cases opened on the basis of STRs received from governmental institutions (112 for ML) and foreign FIUs (59 for ML)

[23] cases opened on the basis of STRs received from governmental institutions (5 for FT) and foreign FIUs (2 for FT)

[24] information which provides support to existing or possible money laundering investigations

Governmental institutions[25]		143	5												
foreign FIUs		59	2												
TOTAL	**57.468**	**602**[26]	**13**												

01.01. – 28.02.2011															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**cases opened by FIU**		**notifications to law enforcement / prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial banks	8069	35	2	21[27] (33)[28]	1 (4)[29]	12 (1)[30]									
The Croatian Post	3	3													
Financial Agency	65														
Currency exchange	1														
Broker companies		1													
Organisers of games of chance	3	1													
Insurance companies		2													
Housing savings banks		1													
Credit unions	11														
Notaries		2													
Lawyers		1													
Governmental institutions		14	3												
foreign FIUs		19	1												

[25] for details of interagency cooperation see Annex 2

[26] difference in total number of received STRs for ML and TF (602+13) and number of opened analytical cases exists because some of the STRs are reported concerning persons for which FIU has already opened analytical cases.

[27] cases opened on the basis of STRs received from reporting entities

[28] cases opened on the basis of STRs received from governmental institutions (14 for ML) and foreign FIUs (19 for ML)

[29] cases opened on the basis of STRs received from governmental institutions (3 for FT) and foreign FIUs (1 for FT)

[30] information which provides support to existing or possible money laundering investigations

TOTAL	**8152**	**79**[31]	**6**												

c) AML/CFT Sanctions imposed by supervisory authorities

Please complete a table (as beneath) for administrative sanctions imposed for AML/CFT infringements in respect of **each type of supervised entity in the financial sector** (eg, one table for banks, one for insurance, etc). If possible, please also indicate the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

If similar information is available in respect of supervised DNFBP, could you please provide an additional table (or tables) covering administrative sanctions on DNFBP, also with information as to the types of AML/CFT infringements for which sanctions were imposed in text beneath the tables in your reply.

Please adapt the tables, as necessary, also to indicate any criminal sanctions imposed on the initiative of supervisory authorities and for what types of infringement.

Administrative Sanctions –authorised exchange offices

	2004 for compa-rison	2005 for compa-rison	2006	2007	2008	2009	2010	28/02/2011
Number of AML/CFT violations identified by the supervisor						**4**	**14**	**0**
Type of measure/sanction*								
Written warnings						**0**	**3**	**0**
Fines						**4**	**11**	**0**
Removal of manager/compliance officer								
Withdrawal of license								
Other								
Total amount of fines*								
Number of sanctions taken to the court (where applicable)								
Number of final court orders								
Average time for finalising a court order								

*According to the statistics of Financial inspectorate, in 2009 a total amount of fines for all reporting entities included app 53.000,00 EUR, temporarily confiscated was app 1.470.000,00 and confiscated was app 700.000,00 EUR.

[31] difference in total number of received STRs for ML and TF (79+6) and number of opened analytical cases exists because some of the STRs are reported concerning persons for which FIU has already opened analytical cases.

According to the statistics of Financial inspectorate, in 2010 a total amount of fines for all reporting entities included 69.054,00 EUR temporarily confiscated was app 1.190.000,00 EUR and confiscated was app 1.043.000,00 EUR.
According to the statistics of Financial inspectorate, in 2011 a total amount of fines for all reporting entities included 2.000,00 EUR temporarily confiscated was app 86.000,00 EUR and confiscated was app 56.000,00 EUR.

Administrative Sanctions –DNFBP's

	2004 for compa-rison	2005 for compa-rison	2006	2007	2008	2009	2010	28/02/2011
Number of AML/CFT violations identified by the supervisor						**0**	**19**	**2**
Type of measure/sanction*								
Written warnings						**0**	4[32]	2[33]
Fines						**0**	**15**[34]	**0**
Removal of manager/compliance officer								
Withdrawal of license								
Other								
Total amount of fines*								
Number of sanctions taken to the court (where applicable)								
Number of final court orders								
Average time for finalising a court order								

*According to the statistics of Financial inspectorate, in 2009 a total amount of fines for all reporting entities included app 53.000,00 EUR, temporarily confiscated was app 1.470.000,00 and confiscated was app 700.000,00 EUR.
According to the statistics of Financial inspectorate, in 2010 a total amount of fines for all reporting entities included 69.054,00 EUR temporarily confiscated was app 1.190.000,00 EUR and confiscated was app 1.043.000,00 EUR.
According to the statistics of Financial inspectorate, in 2011 a total amount of fines for all reporting entities included 2.000,00 EUR temporarily confiscated was app 86.000,00 EUR and confiscated was app 56.000,00 EUR.

[32] Lawyers 2, Auditors 2

[33] Dealers in precious metals and stones 2

[34] Real estate agents 2, Accountants 1, Lawyers 7, Notaries Public 1, Auditors 3, Auctions 1

Administrative Sanctions – Credit dealings intermediation

	2004 for compa-rison	2005 for compa-rison	2006	2007	2008	2009	2010	28/02/2011
Number of AML/CFT violations identified by the supervisor						0	5	2
Type of measure/sanction								
Written warnings						0	0	2
Fines						**0**	**5**	**0**
Removal of manager/compliance officer								
Withdrawal of license								
Other								
Total amount of fines*								
Number of sanctions taken to the court (where applicable)								
Number of final court orders								
Average time for finalising a court order								

*According to the statistics of Financial inspectorate, in 2009 a total amount of fines for all reporting entities included app 53.000,00 EUR, temporarily confiscated was app 1.470.000,00 and confiscated was app 700.000,00 EUR.
According to the statistics of Financial inspectorate, in 2010 a total amount of fines for all reporting entities included 69.054,00 EUR temporarily confiscated was app 1.190.000,00 EUR and confiscated was app 1.043.000,00 EUR.
According to the statistics of Financial inspectorate, in 2011 a total amount of fines for all reporting entities included 2.000,00 EUR temporarily confiscated was app 86.000,00 EUR and confiscated was app 56.000,00 EUR.

Administrative Sanctions –Banks

	2004 for compa-rison	2005 for compa-rison	2006	2007	2008	2009	2010	28/02/2011
Number of AML/CFT violations identified by the supervisor						2	0	0
Type of measure/sanction								
Written warnings						2	0	0
Fines						**0**	**0**	**0**
Removal of								

manager/compliance officer								
Withdrawal of license								
Other								
Total amount of fines*								
Number of sanctions taken to the court (where applicable)								
Number of final court orders								
Average time for finalising a court order								

*According to the statistics of Financial inspectorate, in 2009 a total amount of fines for all reporting entities included app 53.000,00 EUR, temporarily confiscated was app 1.470.000,00 and confiscated was app 700.000,00 EUR.
According to the statistics of Financial inspectorate, in 2010 a total amount of fines for all reporting entities included 69.054,00 EUR temporarily confiscated was app 1.190.000,00 EUR and confiscated was app 1.043.000,00 EUR.
According to the statistics of Financial inspectorate, in 2011 a total amount of fines for all reporting entities included 2.000,00 EUR temporarily confiscated was app 86.000,00 EUR and confiscated was app 56.000,00 EUR.

Croatian National Bank

The AMLFT Law entered into force on 1 January 2009, and since that date the CNB has been authorised to submit accusatory motions against reporting entities it supervises pursuant to the AMLFT Law.

Accusatory motions are submitted to the Financial Inspectorate of the Republic of Croatia, as the competent first instance body for offences laid down by the AMLFT Law. The court of second instance is the High Magistrates' Court of the Republic of Croatia.

Accusatory motions are submitted on the basis of reports on on-site examinations of credit institutions. As stated previously, on-site examinations of credit institutions performed in 2009 did not reveal any cases of violations of the provisions of the AMLFT Law, while on-site examinations of credit institutions performed in 2010 revealed one violation of the provisions of the AMLFT Law (violation of Article 50, paragraph 1 which prescribes the obligation to perform regular internal audit of the tasks of the prevention of money laundering and terrorist financing at least once a year). Given that this violation was determined in the course of on-site examination performed towards the end of 2010, the case is still being processed and the accusatory motion has as yet not been submitted.

In the case of this specific violation (acts contrary to the provision of Article 50 of the AMLFT Law), a pecuniary penalty ranging from HRK 25,000.00 to HRK 400,000.00 is prescribed for a legal person and ranging from HRK 1,500.00 to HRK 8,000.00 for a member of the management board or other responsible person in the legal person. It should be noted that the AMLFT Law prescribes pecuniary penalties of different ranges, depending on the severity of the violation, while the decision on the pecuniary penalty to be imposed in each specific case is determined by the competent body in charge of the offence procedure.

Administrative Sanctions – Investment firms (brokers) - HANFA

	2004 for compa-rison	2005 for compa-rison	2006	2007	2008	2009	2010	28/02/2011
Number of AML/CFT violations identified by the supervisor						**1[1]**	**2[2]**	
Type of measure/sanction*								
Written warnings								
Fines								
Removal of manager/compliance officer								
Withdrawal of license								
Other**								
Total amount of fines								
Number of sanctions taken to the court (where applicable)								
Number of final court orders								
Average time for finalising a court order								

1 Art. 91.1.2., Art. 91.2, Art. 90.1.15., Art. 90.2. and Art. 91.1.12.
2
1st case Art. 91.1.16., Art. 91.2., Art. 91.1.19. and Art. 91.1.2. AMLTF Law
2nd case Art. 92.1.5., Art. 92.2., Art. 90.1.3. and Art. 90.2. AMLTF Law

3. Appendices

3.1 APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (listed in order of priority)
1. General	Croatian authorities should amend the AML Law and make it absolutely clear that the prevention of terrorist financing is covered.
2. Legal System and Related Institutional Measures	
2.1 Criminalisation of Money Laundering (R.1 & 2)	• The enormous backlog in money laundering cases pending at courts should be urgently addressed. • Croatian authorities should satisfy themselves that all the physical and material elements of the Palermo Convention and the Vienna Convention are properly covered (particularly transfer, concealment and use of property). Consideration should also be given to broadening the scope of Art. 279 by removing the clause that restricts its applicability to "banking, financial or other economic operations". • The text of Paragraph 1 of Article 279 should be reconsidered and it should be clarified that indirect proceeds deriving from property other than money is covered. • There needs to be some further clarification as to the precise requirements for extra-territorial predicate offences in respect of dual criminality (Art. 279 para 5 CC). • The Croatian authorities are encouraged to use the new powers providing corporate criminal liability proactively in money laundering cases.
2.2 Criminalisation of Terrorist Financing (SR.I)	• An autonomous offence of terrorist financing should be introduced which explicitly addresses all the essential criteria in SR.II and requirements of the Interpretative Note to SR.II.
2.3 Confiscation, freezing and seizing of proceeds of crime (R.3)	• Croatian authorities should satisfy themselves to make the current confiscation regime less complicated and easier to apply. • Confiscation of proceeds and instrumentalities of money laundering offences should be mandatory. • The general confiscation regime should cover indirect proceeds not only in specific cases (i.e. the pecuniary equivalent of ill-gotten money, securities or objects). • The specific confiscation regime for money laundering cases should also allow for value confiscation. • The general value confiscation regime, which is restricted

	to "money, securities or objects", should cover any other sorts of property, like real estate or property rights. Furthermore, it should allow for confiscation going beyond the pecuniary equivalent of the ill-gotten assets. • The authority to take steps to prevent or void contractual or other actions where the persons involved knew or should have known that as a result of those actions the authorities would be prejudiced in their ability to recover property subject to confiscation (criterion 3.6) is currently only applicable in money laundering cases but should be extended to the entire confiscation regime. • A clearer provision for freezing orders *ex parte* or without prior notice would be beneficial. • Provisional measures should be taken more regularly.
2.4 Freezing of funds used for terrorist financing (SR.III)	• A comprehensive system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc. should be introduced.
2.5 The Financial Intelligence Unit and its functions (R.26)	• Croatia should make clarifications to the AML Law with regard to the prevention of terrorist financing, particularly amending the relevant provisions and make it absolutely clear that they also cover the prevention of terrorist financing. • A suspicious transaction report form which covers also terrorist financing should be introduced. • Croatian authorities may wish to consider to increase the staff of the AMLD and also to make the positions within the AMLD more attractive. • A separate budget for the FIU may strengthen its independence.
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	• Croatian authorities should set up measures to speed up the judicial process in money laundering cases.
2.7 Cross Border Declaration & Disclosure	• In the case of discovery of a false declaration of currency or bearer negotiable instruments or a failure to declare them, Customs authorities should be given for all situations the authority to request and obtain further information from the carrier with regard to the origin of the currency or bearer negotiable instruments and their intended use. • When it comes to legally carrying things in or out of the Republic of Croatia and there is a suspicion of criminal activity, Customs should have the power to seize these things. • Customs should be explicitly entitled to stop/restrain currency or bearer negotiable instruments in the case there is a suspicion of money laundering or terrorist financing.
3. Preventive Measures – Financial Institutions	

3.1 Risk of money laundering or terrorist financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5 to 8)	• Croatian authorities should as a matter of urgency issue legislation clearly prohibiting financial institutions from keeping anonymous accounts or accounts in fictitious names. Furthermore, it should be established whether such accounts still exist. If so, they should be closed as soon as possible. • Financial institutions should be clearly required to identify customers when carrying out occasional transactions that are wire transfers in the circumstances covered by the Interpretative Note to SR VII, when the financial institution has doubts about the veracity or adequacy of previously obtained identification data and when there is a suspicion of terrorist financing. • The concept of verification of identification should be further addressed. The Croatian authorities should take steps to apply an enhanced verification process in appropriate cases. In higher risk cases, they should consider requiring financial institutions to use *other* reliable, independent source documents, data or information when verifying customer's identity (in addition to the documents as currently prescribed by law). • Croatian authorities should clearly define which other documents than passports or I.D. cards can be used for verification of identification and which are in accordance with the international standards as required by Footnote 5 of the Methodology. • In all cases where a power of attorney exists, full identification of the person(s) granting the power of attorney should be carried out. • Croatian Legislation should provide a definition of "beneficial owner" on the basis of the glossary to the FATF Methodology. Financial institutions should be required to take reasonable measures to verify the identity of beneficial owners using relevant information or data obtained from reliable sources. • Financial institutions should be required to determine for all clients whether the customer is acting on behalf of a third party. If this is the case, they should identify the beneficial owner and verify the latter's identity. With regard to clients which are legal persons, financial institutions should understand the controlling structure of the customer and determine who the beneficial owner is. • Financial institutions should be required to obtain information on the purpose and intended nature of the business relationship. • Financial institutions should be required to conduct on-

	going due diligence on the business relationship and to ensure that documents, data or information collected under the CDD process are kept up-to-date and relevant by undertaking reviews of existing records, particularly for higher risk categories of customers or business relationships. • Financial institutions should be required to perform enhanced due diligence for higher risk categories of customers, business relationship or transaction, including private banking, companies with bearer shares and non-resident customers. • The exemption from identification provided by the AML By-law concerning transactions between banks should be reduced to relations between domestic banks. The AML By-law should clearly specify that no exemption from identification is allowed if there is a suspicion related to terrorism financing. • The exemption from identification in the situations of "*withdrawal of money from debit, checks and saving accounts by physical persons*" (Art. 4 para 6 of the AML Law) should be removed. • Financial institutions should be required to apply CDD requirements to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times. • Financial institutions should be required by enforceable means: - to determine if the client or the potential client is a PEP; - to obtain senior management approval for establishing a business relation with a PEP; - to conduct higher CDD and enhanced ongoing due diligence on the source of the funds deposited/invested or transferred through the financial institutions by the PEP. • Croatia should implement all the missing elements of Recommendation 7. • Financial institutions should be required to have policies in place to prevent the misuse of technological developments for AML/CFT purposes, and to have policies in place to address specific risks associated with non-face to face transactions.
3.3 Third parties and introduced business (R.9)	• Though Rec. 9 is currently not applicable, Croatian authorities should satisfy themselves by covering all the essential criteria under Recommendation 9 in the AML Law.
3.4 Financial institution secrecy or confidentiality (R.4)	• The AML Law should provide a clear legal basis to lift bank secrecy for STRs in respect of terrorist financing.
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	• Financial institutions should be required to keep documents longer than five years if requested by a competent authority. • The record keeping provisions for all financial

	institutions (and not only for banks) should require the collection or maintenance of account files or business correspondence. • There should be a comprehensive requirement for ordering financial institutions to verify that originator information is accurate and meaningful. • Financial institutions should be required to verify the identity of a customer for all wire transfers of EUR/USD 1000 or more. • Financial institutions should be required to have in place risk-management systems to identify and handle wire transfers that lack full originator information, aimed at detecting transfers of suspicious nature that may result in making an STR report. • Croatian authorities should introduce specific enforceable regulations for all agents which act for global money remittance companies. • Croatian authorities should introduce procedures for banks and the Croatian Post Office dealing with "batch transfers". • Croatian authorities should introduce provisions requiring intermediary financial institutions to maintain all the required originator information with the accompanying wire transfers.
3.6 Monitoring of transactions and relationships (R.11 & 21)	• Croatia should implement Rec. 11. • In the case of all transactions (with persons from or in countries which do not or insufficiently apply FATF Recommendations) which have no apparent economic or visible lawful purpose, financial institutions should be required - to examine the background and purpose of such transactions and - set out their findings in writing and to make them available to the competent authorities • Mechanisms need to be considered to apply appropriate counter measures where a country continues not to apply or insufficiently applies FATF Recommendations.
3.7 Suspicious transaction reports and other reporting (R.13-14, 19, 25 & SR.IV)	• The legal provisions determining the Croatian STR system are too complicated in its structure and should be made easier to follow. • The AML Law should be amended and provide a clear legal basis for reporting suspicions on terrorist financing. • Croatian authorities should make it clear that the exemptions provided by the AML By-law concerning the reporting and identification obligations of the reporting institutions do not apply when there is a suspicion of terrorist financing. • More attention should be given to outreach to the non banking financial sector to ensure that they are reporting adequately.

	• The AML Law should provide for attempted suspicious transactions to be reported. • Croatian authorities should introduce safe harbour provisions to the full extent as required by criterion 14.1. • There should be a clear legal basis for protection in the case of reporting a suspicion of terrorist financing. • There should be a direct and explicit sanctioning authority for "tipping off". • More feedback to the non-banking sector is necessary.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	• Clear provision should be made for compliance officers to be designated at management level. • Financial institutions should be required to • maintain an adequately resourced and independent audit function to test compliance with AML/CFT procedures, policies and controls; • put in place screening procedures to ensure high standards when hiring employees. • Croatian authorities should implement an explicit obligation to require financial institutions to ensure that their foreign branches and subsidiaries observe AML/CFT measures consistent with the Croatian requirements and FATF Recommendations. Croatia should amend Art. 2 para 2 of the AML Law and make it fully consistent with the requirements of Recommendation 22. • Financial institutions should be required to inform their home country supervisor when a foreign subsidiary or branch is unable to observe appropriate AML/CFT measures.
3.9 Shell banks (R.18)	• Croatia should create a specific provision that will prohibit financial institutions from entering into or continuing correspondent banking relationship with shell banks. In addition, there should be an obligation placed on financial institutions to satisfy themselves that a respondent financial institution in a foreign country is not permitting its accounts to be used by shell banks.
3.10 The supervisory and oversight system - competent authorities and SROs. Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	• The AML Law should provide a clear legal basis for sanctions concerning infringements in the context of terrorist financing. • Concerning directors or senior management a sanctioning regime for violations of AML/CFT obligations should be introduced. • A clear legal basis to cover CFT in the course of supervision should be introduced. • For all types of financial institutions legislation should be introduced preventing all criminals and their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function. • HANFA should in the course of its supervision evaluate

	the effectiveness of the whole anti-money laundering system of the obliged entities (and not focus mainly on the detection of non-reported suspicious transactions). • Croatia should introduce a system for registering and/or licensing MVT services and companies issuing credit/debit cards. • Guidance should be issued for general compliance with AML/CFT requirements, not only for filing of STRs. • The AMLD should give adequate and appropriate feedback to the non banking financial sector. • For the whole financial sector there should be clear authority for all supervisors to supervise CFT issues. • Croatian authorities should introduce a broader range of dissuasive and proportionate sanctions with regard to the examples provided for by criterion 17.4.
3.11 Money value transfer services (SR.VI)	• Croatia should implement Special Recommendation VI.
4. Preventive Measures – Non-Financial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	• Croatia should include accountants, lawyers and public notaries within Article 2 of the AML Law, along with the other reporting institutions and make these professions subject to the same CDD and reporting requirements as the other DNFBP when they are participating in financial transactions. • Croatia should fully implement Recommendations 5, 6, 8 and 9 and make these measures applicable to DNFBP in the situations described in Recommendation 12. • Croatian authorities should clarify that casinos can use only reliable, independent source documents, data or information for the verification process of identification. • For Recommendation 10, all transaction records should be kept, regardless of whether the transaction exceeds 200 000 Kuna or there is suspicion of money laundering, for at least five years. Account files and business correspondence should be kept in addition to identification records. Croatian authorities should satisfy themselves that casinos clearly follow the record keeping requirements of the AML Law. • DNFBP should be required to pay special attention to all complex, unusually large transactions or unusual patters of transactions that have no apparent or visible economic or lawful purpose. Additionally, they should examine the background and purpose of complex transactions, set out their findings in writing, and keep the findings available for competent authorities for at least five years. • The different sectors and their professional associations should cooperate more closely with the AMLD and with

	each other in order to improve awareness and overcome any unwillingness to apply AML/CFT requirements. • Real estate agents should be made reporting institutions within the Croatian AML/CFT regime (covering the situations described by Rec. 12).
4.2 Suspicious transaction reporting (R.16)	• With regard to the small number of reports received from DNFBP, more outreach to this sector, particularly by providing training and guidance is necessary. • The AML Law should expand the requirement to submit an STR when there is a suspicion that funds are the proceeds of criminal activity generally *and* when funds may be related to terrorism. • The AMLD should communicate again to the DNFBP that there is a reporting obligation when there is a suspicion of money laundering, even when the transaction is below the 200 000 Kuna threshold. • The exceptions for lawyers and notaries to report suspicious transactions because of legal professional privilege/secrecy should be brought in accordance with the circumstances as described by the Interpretative Note to Recommendation 16. • The discrepancy between the AML Law, the Penal Code, the Public Notaries Act and the "Act on the Responsibility of Legal Persons for the Criminal Offences" concerning the protection of lawyers and notaries from criminal or civil liability for reporting their suspicions in good faith should be remedied. • Croatian authorities should introduce clear safe harbour provisions for lawyers and notaries to protect them from criminal or civil liability for reporting their suspicions in good faith. • For lawyers, public notaries and accountants specific "tipping off" provisions should be introduced. • The head of compliance should be at management level and adequately resourced, including screening procedures for employees who work for the responsible person or chief compliance officer. • DNFBP should give special attention to business relationships and transactions with persons or entities from or in countries which do not or insufficiently apply the FATF Recommendations.
4.3 Regulation, supervision and monitoring (R.24-25)	• Croatia should introduce an effective system for monitoring and ensuring compliance with AML/CFT requirements among DNFBP. • Croatian authorities should amend the AML Law to identify the competent authorities that will be specifically responsible for the AML/CFT regulatory and supervisory regime for DNFBP and give these authorities adequate powers to perform their functions, including powers to monitor and sanction.

	• The sanction regime of the AML Law should provide for a broader range of proportionate and appropriate sanctions. • Guidance should be issued for general compliance with AML/CFT requirements, not only for filing of STRs.
4.4 Other non-financial businesses and professions (R.20)	• Croatia should conduct an analysis of which non-financial businesses and professions (other than DNFBP) are at risk of being misused for money laundering or terrorist financing. This sector should be kept under review to ensure that all non-financial businesses and professions that are at risk of being misused for the purposes of money laundering or terrorist financing are regularly considered for coverage in the AML Law. • Croatia should consider developing a strategy on the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.
5. Legal Persons and Arrangements & Non-Profit Organisations	
5.1 Legal Persons – Access to beneficial ownership and control information (R.33)	• Croatia should review its commercial, corporate and other laws with a view to taking measures to provide adequate transparency with respect to beneficial ownership. A comprehensive definition of beneficial owner, as provided for in the Glossary to the FATF Recommendations should be embedded in relevant primary or secondary legislation
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	
5.3 Non-profit organisations (SR.VIII)	• An overall review of the risks in the NPO sector needs to be undertaken. • Financial transparency and reporting structures of the NPO sector should be brought in line with the requirements of criteria VIII.2 and VIII.3.
6. National and International Co-operation	
6.1 National co-operation and coordination (R.31)	
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	• Croatia should implement all the provisions of the relevant international conventions it has ratified; amongst others it should introduce an autonomous terrorist financing offence. • The requirements of the UN Conventions should be reviewed to ensure that Croatia is fully meeting all its obligations under them. Particularly Croatia should introduce - a legal structure for the conversion of

	designations under S/RES/1267(1999) and its successor resolutions as well as S/RES/1373(2001); - a comprehensive and effective system for freezing without delay by all financial institutions of assets of designated persons and entities, including publicly known procedures for de-listing etc.; - a system for effectively communicating action taken by the authorities under the freezing mechanisms to the financial sector and DNFBP.
6.3 Mutual Legal Assistance (R.36-38 & SR.V)	• Enact an autonomous financing of terrorism offence to improve the capacity for rendering mutual legal assistance. • Arrangements for coordinating seizure and confiscation action with other countries should be established. • Consideration should be given to an asset forfeiture fund and a system for sharing of confiscated assets with other countries when confiscation is a result of coordinated law enforcement action. • More statistical data (e.g. nature of mutual assistance requests; the time required to handle them; type of predicate offences related to requests) is needed to show the effectiveness of the system.
6.4 Extradition (R.39, 37 & SR.V)	• Enact an autonomous financing of terrorism offence to improve extradition capacity in relation to financing of terrorism offences. • Croatia should maintain proper and comprehensive statistics regarding extradition requests for money laundering or financing of terrorism including the time required to handle them.
6.5 Other Forms of Co-operation (R.40 & SR.V)	• To cooperate in terrorist financing cases without impediments, Croatian authorities should amend the AML Law and make it absolutely clear that the prevention of terrorist financing is covered.
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	<u>Recommendation 30:</u> • Croatian authorities should consider to increase the staff of the AMLD and also to make the positions within the AMLD more attractive. • Croatian authorities should consider to increase the staff for both prosecutors and judges. • Prosecutors and judges should be provided for with appropriate and adequate AML/CFT training. • The AMLD and the Department for Financial System should provided with sufficient resources to exercise supervision in a satisfying manner. <u>Recommendation 32:</u>

	• One authority should maintain *comprehensive* and detailed statistics on money laundering investigations, prosecutions and convictions or other verdicts (and whether confiscation has also been ordered) indicating not only the numbers of persons involved but also that of the cases/offences and, in addition, providing statistical information on the underlying predicate crimes and further characteristics of the respective laundering offence (whether it was prosecuted autonomously etc.). • More statistical data (e.g. nature of mutual assistance requests; the time required to handle them; type of predicate offences related to requests) is needed to show the effectiveness of the system. • Croatia should maintain statistics regarding extradition requests for money laundering or financing of terrorism including the time required to handle them.

3.2 APPENDIX II – Relevant EU texts

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:

(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:

(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;

Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2
Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:

(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;
(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.
The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.

3.3 APPENDIX III – Acronyms

AML Law	Anti-Money Laundering Law
AML By-law	Procedures on Implementation of the Law on Prevention of Money Laundering
AMLFT Law	Anti-Money Laundering and terrorism Financing Law
AMLO	Anti-Money Laundering Office (Croatian FIU)
CC	Criminal Code
CDA	Central Depository Agency
CDD	Customer Due Diligence
CETS	Council of Europe Treaty Series
CFT	Combating the financing of terrorism
CNB	Croatian National Bank
CNB´s guidelines	Guidelines for the analysis and assessment of money laundering and terrorist financing risks for credit institutions and credit unions

CPA	Criminal Procedure Act
CTR	Cash Transaction Reports
DNFBP	Designated Non-Financial Businesses and Professions
ETS	European Treaty Series [since 1.1.2004: CETS = Council of Europe Treaty Series]
EUR	Euro
FATF	Financial Action Task Force
FEI	Foreign Exchange Inspectorate
FI	Financial Inspectorate
FIU	Financial Intelligence Unit
HANFA	Croatian Financial Services Supervisory Agency ("Hrvatska agencija za nadzor financijskih usluga")
HRK	Croatian Kuna
IN	Interpretative Note
IT	Information Technology
LEA	Law Enforcement Agency
MLA	Mutual Legal Assistance
MOU	Memorandum of Understanding
MLPD	Money Laundering Prevention Directorate
NCCT	Non-cooperative countries and territories
NN	Narodne Novine (official Gazette)
PEP	Politically Exposed Person
PSA	Payment System Act
SAO	State Attorney's Office
SAR	Suspicious Activity Report
STR	Suspicious transaction report
SWIFT	Society for Worldwide Interbank Financial Telecommunication
USKOK	Office for the Suppression of Corruption and Organised Crime ("Ured za suzbijanje korupcije i organiziranog kriminaliteta")
UTR	Unusual Transaction Report