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EUROPEAN COMMITTEE ON CRIME PROBLEMS
(CDPC)

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

First written progress report submitted to MONEYVAL by CROATIA[1]

[1] Adopted by MONEYVAL at its 29th Plenary Meeting (Strasbourg, 16-20 March 2009). For further information on the examination and adoption of this report, please refer to the Meeting Report (ref: MONEYVAL(2009)16 at www.coe.int/moneyval)

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

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.

Mayor 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.

2. Key recommendations

Please indicate improvements which have been made in respect of the FATF Key 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 (R.1)	
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 taken 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."
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The enormous backlog in money laundering cases pending at courts should be urgently addressed*
Measures taken 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).
(Other) changes since the last evaluation	
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 taken 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 restrics 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.*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	

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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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).
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Financial institutions should be required to obtain information on the purpose and intended nature of the business relationship.*
Measures taken 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.

(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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 the enhanced CDD for higher risk categories of 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 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. **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
(Other) changes since the last evaluation	
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 taken to implement the	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.

Recommendation of the Report	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.
(Other) changes since the last evaluation	
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 taken to implement the Recommendation of the Report	With new Law, the mentioned exemption has been removed.
(Other) changes since the last evaluation	
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 taken 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.**
(Other) changes since the last evaluation	
Recommendation 5 (Customer due diligence) II. Regarding DNFBP[2]	
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 taken 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

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

	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 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	

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 taken 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.
(Other) changes since the last evaluation	
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 taken 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).
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation 10 (Record keeping) II. Regarding DNFBP[3]	
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 taken 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,

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

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.

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).
(Other) changes since the last evaluation	

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 taken to implement the Recommendation of 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. New provisions are clear and general STR system embraced in one place, defining when and what to report as

Report	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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The AML Law should be amended and provide a clear legal basis for reporting suspicions on terrorist financing.*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The AML Law should provide for attempted suspicious transactions to be reported.*
Measures taken 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**.
(Other) changes since the last evaluation	
Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[4]	
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 taken 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): 13. 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

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

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:
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:

Para2, 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".*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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".
(Other) changes since the last evaluation	
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 taken 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.

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 taken 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.*
(Other) changes since the last evaluation	

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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Special Recommendation IV (Suspicious transaction reporting) II. Regarding DNFBP	
Recommendation of the MONEYVAL Report	*(terrorism financing reporting)*
Measures taken to	The AMLO and the Financial Inspectorate are in regular contact with the professional associations of

implement the Recommendation of the Report	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.
(Other) changes since the last evaluation	

14. 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 taken to implement the Recommendation of	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

the Report	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.*
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Confiscation of proceeds and instrumentalities of money laundering offences should be mandatory.*
Measures taken 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.*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The specific confiscation regime for money laundering cases should also allow for value confiscation.*

Measures taken 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 particullar allows Article 82 para 5 of The Law on the Amendments to the Criminal Code.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*A clearer provision for freezing orders ex parte or without prior notice would be beneficial.*
Measures taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Provisional measures should be taken more regularly.*
Measures taken 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 Offica 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation 7 (Correspondent banking)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement all the missing elements of Recommendation 7.*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation 11 (Unusual transactions)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Croatia should implement Rec. 11*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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. DNFBPs shall carry out measures for the prevention and detection of money 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL	*Real estate agents should be made reporting institutions within the Croatian AML/CFT regime (covering the situations described by Rec. 12).*

Report	
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.

(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*There should be a direct and explicit sanctioning authority for "tipping off".*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken to	On 15th July 2008, Croatian Parliament has adopted new Anti Money Laundering and Financing of

implement the Recommendation of the Report	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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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; 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*For lawyers, public notaries and accountants specific "tipping off" provisions should be introduced.*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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).
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Concerning directors or senior management a sanctioning regime for violations of AML/CFT obligations should be introduced.*
Measures taken 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
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken to implement the	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

Recommendation of the Report	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.
(Other) changes since the last evaluation	
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 taken 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)
(Other) changes since the last evaluation	

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 taken 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).
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.

(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	

Recommendation of the MONEYVAL Report	*Croatia should introduce a system for registering and/or licensing MVT services and companies issuing credit/debit cards.*
Measures taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*For the whole financial sector there should be clear authority for all supervisors to supervise CFT issues.*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The sanction regime of the AML Law should provide for a broader range of proportionate and appropriate sanctions.*
Measures taken 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.
(Other) changes since the last evaluation	

Recommendation 25 (Guidelines and Feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*More feedback to the non-banking sector is necessary.*
Measures taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Guidance should be issued for general compliance with AML/CFT requirements, not only for filing of STRs.*
Measures taken 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.).
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*The AMLD should give adequate and appropriate feedback to the non banking financial sector.*
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.).
(Other) changes since the last evaluation	
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 taken 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."
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*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.*
Measures taken to	MINISTRY OF JUSTICE:

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.

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	**2005.**	**2006.**	**2007.**	**2008.**	**total**

INITIATIVE CAME FROM:					
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
  - misdemeanours - 7
- other supervisions
  - total - 22
  - ongoing - 20
  - misdemeanours - 2
  - international mutual assistance - 1

(Other) changes since	

the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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."*
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of	*Enact an autonomous financing of terrorism offence to improve extradition capacity in relation to*

the MONEYVAL Report	*financing of terrorism offences.*
Measures taken 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 extraditable one. Consequently, such structure of Criminal Code does not affect the full capacity to grant extradition.
(Other) changes since the last evaluation	
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 taken 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
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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: **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).
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce specific enforceable regulations for all agents which act for global money remittance companies.*
Measures taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	*Croatian authorities should introduce procedures for banks and the Croatian Post Office dealing with "batch transfers".*
Measures taken 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.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL	*Croatian authorities should introduce provisions requiring intermediary financial institutions to maintain all the required originator information with the accompanying wire transfers.*

Report	
Measures taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
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 taken 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.
(Other) changes since the last evaluation	
Special Recommendation IX (Cross Border declaration and disclosure)	
Rating: Partially compliant	
Recommendation of the MONEYVAL	*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*

Report	*further information from the carrier with regard to the origin of the currency or bearer negotiable instruments and their intended use.*
Measures taken 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).
(Other) changes since the last evaluation	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
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 taken 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.
(Other) changes since the last evaluation	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.
Recommendation of the MONEYVAL	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.

Report	
Measures taken 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.
(Other) changes since the last evaluation	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.

15. Specific Questions

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.

16. Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)[5]

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	**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:

owner in the 3rd Directive[6] (please also provide the legal text with your reply)	- 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.

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

1. [5] *For relevant legal texts from the EU standards see Appendix II*

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

	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 totaling 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 Implementation Directive[7] are provided for in your domestic legislation (please also	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. (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.

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

provide the legal text with your reply).	(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.

"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.

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:

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	*There are no CTR obligations regarding the restriction of cash operations:* **Restrictions in Cash Operations**

all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	**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.

17. Statistics

a. Please complete - to the extent possible - the following tables:

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. STR/CTR

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).

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														
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		136 (281)		87										
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														
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	24 (47)	1	6	1								
insurance companies															
notaries															
currency exchange															
broker companies															
securities' registrars															
lawyers															
accountants/auditors															
savings and loan co-operatives															
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**												

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	• The AML Law should provide a clear legal basis to lift

confidentiality (R.4)	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,	• 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

functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	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	• An overall review of the risks in the NPO sector needs

(SR.VIII)	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.

APPENDIX II

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 the EU AML/CFT Directive 2005/60EC (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;

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.