

CROATIA



April 2016

www.coe.int/terrorism

NATIONAL POLICY

The attacks that have taken place in last couple of years confirm beyond any doubt that terrorism represents one of the most complicated, most challenging and most dangerous global security threats of the 21st century. The complexity of this phenomenon is especially marked nowadays, considering the demonstrated ability of terrorist networks to change and adapt to new circumstances. The terrorist threat is growing and developing and there is an increasing risk of large scale attacks, with terrorist activities being planned and carried out using ever more sophisticated methods and tools.

The Republic of Croatia strongly condemns terrorism in all its forms and manifestations and actively participates in counter-terrorism efforts at national, regional and global level. In order to efficiently counter this threat and to ensure the grounds for achieving the highest possible level of protection for the Republic of Croatia against terrorism and terrorist threats, Croatia recognizes the need for strong and intensive co-operation with-within-and-among the United Nations, the European Union, NATO, other regional organisations and all States. Furthermore, close cooperation is necessary in order to find long-term solutions for many regional crises and to continue with necessary measures to prevent and combat violent extremism and to incapacitate the ideological, organisational and financial supporters of terrorism.

Croatia believes that terrorism is, at its very core, a war against democracy, and that the best weapon against it is in fact a democracy itself, coupled with the full respect for human rights and the rule of law. In this regard, Croatia firmly supports values and objectives of the UN Global Counter-Terrorism Strategy, especially the position that all counterterrorism measures must comply with the obligations undertaken under international law, including the Charter of the United Nations and relevant international conventions and protocols, and in particular with human rights law, refugee law and international humanitarian law.

STRATEGIC FRAMEWORK

The Republic of Croatia has an integral approach to the prevention and suppression of terrorism, based on several national strategic documents, with the National Security Strategy and the National Strategy for the Prevention and Suppression of Terrorism being the most important ones. There are also other thematically-related national documents, such as the National Cyber

Security Strategy and the Annual guidelines for Security and Intelligence Agencies' activities.

National Security Strategy

The 2002 National Security Strategy¹ provides a general strategic framework for combating security threats and risks, including terrorism. Croatia will pay special attention in the coming period to the creation and adoption of the new general strategic political positions, which will be defined through the new National Security Strategy.

National Strategy for the Prevention and Suppression of Terrorism²

The main strategic document of the Republic of Croatia in the field of counter-terrorism is the National Strategy for the Prevention and Suppression of Terrorism³, adopted by the Government in 2015.

The National Strategy thematically builds on the National Security Strategy⁴ and other national strategic documents. Furthermore, it is fully in line with the UN Global Counter-Terrorism Strategy and the EU Counter-Terrorism Strategy, as well as other strategic documents of the UN, the EU, NATO, OSCE and the Council of Europe.

The National Strategy sets out five main strands of action: prevention, suppression, protection, recovery and prosecution. It also recognizes the need for an enhanced international cooperation, as well as the protection of human rights and fundamental freedoms.

The accompanying Action Plan, containing a set of measures needed for the implementation of the Strategy, is planned to be adopted during 2016.

The National Strategy and the Action plan will be regularly revised and updated, in line with the ever-changing security environment and threats.

LEGAL FRAMEWORK

All counterterrorism activities undertaken by the Croatia's competent authorities are in line with the international law and the political and legal framework of the Republic of Croatia and the European Union. To

¹ Official Gazette – NN 32/02,

http://www.soa.hr/UserFiles/File/Strategy_Republic_of_Croatia.pdf

² Official Gazette – NN 108/15 http://narodne-novine.nn.hr/clanci/sluzbeni/2015_10_108_2105.html

³ Official Gazette – NN 108/2015

⁴ The National Security Strategy recognized, *inter alia*, the global terrorism as a threat to international peace and security, as well as to Croatian national interests.

date the Republic of Croatia has ratified 14 key international conventions on the suppression of terrorism.

At the regional level, Croatia has also ratified the Council of Europe Convention on the Prevention of Terrorism and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

Croatian legislation is available online through the website of the Official Gazette of the Republic of Croatia - "Narodne novine - NN" (in Croatian only)⁵.

Criminal law

Criminal Code

A new Criminal Code⁶ entered into force on 1 January 2013. It contains provisions from article 97 to article 103 relating strictly to terrorism, financing of terrorism, public incitement, recruitment, training for terrorism and the terrorist organization.

In addition to that, some of various criminal offences set in the Criminal Code could be closely related to international terrorism under certain circumstances: offences against the Republic of Croatia, offences against values protected by international law, offences against the Armed Forces of the Republic of Croatia, serious criminal offences against public safety, money laundering, illicit possession of weapons and explosive substances etc.

The 2015 Amendments to the Criminal Code⁷ has expanded operation of article 103 of the Code (Preparation of criminal offences against the values protected by international law) for the articles 88 to 91 and articles 9 to 102. In this way, the Republic of Croatia fulfilled its obligation under UN Security Council Resolution 2178 (2014) on foreign terrorist fighters and at the same time also addressed the provisions of the Additional Protocol to the Council of Europe Convention on the prevention of terrorism. Relevant articles of the Criminal Code are as follows:

Terrorism

Article 97

(1) Whoever, with the aim of seriously intimidating a population, or compelling a government or an international organisation to perform or abstain from performing any act, or seriously destabilising or destroying the fundamental constitutional, political, economic or social structures of a state or an international organisation,

commits any of the following acts which may seriously damage a state or an international organisation:

1. attacks upon a person's life which may cause death;

2. attacks upon the physical integrity of a person;

3. kidnapping or hostage taking;

4. causing destruction to a government or public facility, a transport system, an infrastructure facility, including an information system, a fixed platform located on the continental shelf, a public place or private property, which is likely to endanger human life or result in major economic loss;

5. seizure of aircraft, ships vessel or other means of public or goods transport;

6. manufacture, possession, acquisition, transport, supply or use of weapons, explosives, nuclear, biological or chemical weapons as well as research into and development of nuclear, biological or chemical weapons;

7. release of dangerous substances, or causing fires, explosions or floods, the effect of which is to endanger human life;

8. interfering with or disrupting the supply of water, electricity or any other fundamental natural resource, the effect of which is to endanger human life; or

9. possessing or using radioactive substances or manufacturing, possessing or using a device for the activation, dispersal or emission of radioactive material or ionising radiation, using or causing damage to a nuclear facility resulting in the release of radioactive materials or the danger thereof, or requesting, by using force or a threat, radioactive material, a device for activating, dispersing or emitting radioactive material or a nuclear facility shall be punished by imprisonment from three to fifteen years.

(2) Whoever threatens to commit a criminal offence referred to in paragraph 1 of this Article shall be punished by imprisonment from six months to five years.

(3) If extensive destruction or the death of one or more persons has been caused by the criminal offence referred to in paragraph 1 of this Article, the perpetrator shall be punished by imprisonment for not less than five years.

(4) If, in the course of perpetrating the criminal offence referred to in paragraph 1 of this Article, the perpetrator intentionally kills one or more persons, he or she shall be punished by imprisonment for not less than ten years or to long-term imprisonment.

Financing of Terrorism

Article 98

(1) Whoever directly or indirectly provides or collects funds with the intention that they be used or in the knowledge that they will be used, in full or in part, in order to carry out one or more of the criminal offences referred to in Article 97, Articles 99 through 101, Article 137, Article 216, paragraphs 1 through 3, Article 219, Article 223, Article 224, Articles 352 through 355 of this Code or any other criminal offence intended to cause death or serious bodily injury to a civilian or to any other person not taking an active part in an armed conflict, when the purpose of such an act is to intimidate a population or to compel a government or an international organisation to perform or to abstain from

⁵ <http://www.nn.hr/>

⁶ Official Gazette – NN 125/11 (http://narodne-novine.nn.hr/clanci/sluzbeni/2011_11_125_2498.html), NN 144/12 (http://narodne-novine.nn.hr/clanci/sluzbeni/2012_12_144_3076.html), NN 56/15 (http://narodne-novine.nn.hr/clanci/sluzbeni/2015_05_56_1095.html), NN 61/15 (http://narodne-novine.nn.hr/clanci/sluzbeni/2015_06_61_1188.html)

⁷ Official Gazette – NN 56/15

performing any act, shall be punished by imprisonment from one to ten years.

(2) The sentence referred to in paragraph 1 of this Article shall be imposed on whoever directly or indirectly provides or collects funds with the intention that they be used or in the knowledge that they will be used, in full or in part, by terrorists or by a terrorist association.

(3) The funds referred to in paragraphs 1 and 2 of this Article shall be confiscated.

Public Incitement to Terrorism

Article 99

Whoever publicly expresses or promotes ideas directly or indirectly inciting the commission of a criminal offence referred to in Articles 97 through 98, Article 137, Article 216, paragraphs 1 through 3, Article 219, Articles 223 through 224, Articles 352 through 355 of this Code, shall be punished by imprisonment from one to ten years.

Recruitment for Terrorism

Article 100

Whoever solicits another person to join a terrorist association for the purpose of contributing to the commission of a criminal offence referred to in Articles 97, 102, 137, Article 216, paragraphs 1 through 3, Articles 219, 223, 224, Articles 352 through 355 of this Code, shall be punished by imprisonment from one to ten years.

Training for Terrorism

Article 101

Whoever provides instructions in the making or use of explosive devices, firearms or other weapons or noxious or hazardous substances, or in other specific methods or techniques, knowing that the skills provided are intended to be used for the purpose of committing any of the criminal offences referred to in Articles 97, 98, 137, Article 216, paragraphs 1 through 3, Article 219, Articles 223 through 224, Articles 352 through 355 of this Code, shall be punished by imprisonment from one to ten years.

Terrorist Association

Article 102

(1) Whoever organises or runs a criminal association the aim of which is to commit a criminal offence referred to in Articles 97 through 101, Article 137, Article 216, paragraphs 1 through 3, Article 219, Articles 223 through 224, Articles 352 through 355 of this Code or any other criminal offence intended to cause death or serious bodily injury to a civilian or to any other person not taking an active part in an armed conflict, when the purpose of such an act is to intimidate a population or to compel a government or an international organisation to perform or to abstain from performing any act, shall be sentenced to imprisonment for a term of between three and fifteen years.

(2) Whoever becomes a member of the criminal association, referred to in paragraph 1 of this Article, or commits an act with knowledge that such act contributes to the achievement of the terrorist association's goal, shall be punished by imprisonment from one to eight years.

(3) The perpetrator of a criminal offence referred to in paragraph 1 or 2 of this Article who, by uncovering a terrorist association on time, prevents the perpetration of a criminal offence referred to in paragraph 1 of this Article or a member of a terrorist association who uncovers the association prior to committing, as its member or on its behalf, a criminal offence referred to in paragraph 1 of this Article may have his or her punishment remitted.

Preparing Criminal Offences against Values Protected under International Law

Article 103

Whoever prepares the commission of criminal offences referred to in Articles 88 to 91 and Article 97 to 102 of this Code, shall be punished by imprisonment from six months to five years.

Procedural Rules

The Republic of Croatia does not have special procedural legislation for terrorism-related offences, but applies *mutatis mutandis* the general provisions of the Criminal Procedure Act⁸, which contains procedural institutes and measures that provide the State Attorney's Office, the police and the courts with a legal framework for the detection, investigation and prosecution of criminal offences of terrorism and for the pronouncing of criminal legal sanctions on the perpetrators thereof. In addition to this, the founding bases for the protection of human rights are laid down in the Croatian Constitution.

Jurisdiction and Criminal Proceedings

According to the Article 19 of the Criminal Procedure Act, criminal cases shall be considered in municipal courts, county courts, High Criminal Court of Republic of Croatia and the Supreme Court of Republic of Croatia.

Investigation Methods

The Criminal Procedure Act contains provisions on the so-called special collection of evidence. These are measures used to temporarily limit certain constitutional rights and freedoms of citizens for the purpose of criminal proceedings.

⁸ Official Gazette – NN 152/08 (http://narodne-novine.nn.hr/clanci/sluzbeni/2008_12_152_4149.html), NN 76/09 (http://narodne-novine.nn.hr/clanci/sluzbeni/2009_07_76_1836.html), NN 80/11 (http://narodne-novine.nn.hr/clanci/sluzbeni/2011_07_80_1705.html), NN 121/11 (http://narodne-novine.nn.hr/clanci/sluzbeni/2011_10_121_2386.html), NN 143/12 (http://narodne-novine.nn.hr/clanci/sluzbeni/2012_12_143_3031.html), NN 56/13 (http://narodne-novine.nn.hr/clanci/sluzbeni/2013_05_56_1142.html), NN 145/13 (http://narodne-novine.nn.hr/clanci/sluzbeni/2013_12_145_3090.html), NN 152/14 (http://narodne-novine.nn.hr/clanci/sluzbeni/2014_12_152_2859.html)

If a criminal investigation cannot be conducted in any other manner or would otherwise encounter significant difficulties, investigative judge may, upon the motion with the statement of reason by the State Attorney, order measures against a person against whom there are grounds of suspicion that he committed or took part in committing one of the criminal offences stated in Act, including terrorism-related offences. The following measures can be taken:

- surveillance and interception of telephone conversations and other means of remote technical communication;
- interception, gathering and recording of electronic data
- entry into premises in order to carry out the surveillance and technical recording of premises;
- covert following and technical recording of persons and objects;
- use of undercover investigators and informers;
- simulated sales purchase of certain objects, simulated bribe - giving and simulated bribe-taking;
- offering simulated business services or closing simulated legal business;
- controlled transport and delivery of objects related to a criminal offence.

Security Services

The Security Intelligence System Act⁹ establishes two agencies, Security Intelligence Agency and Military Security Intelligence Agency. These agencies conduct their activities in accordance with the Constitution, relevant national legislation, the National Security Strategy, the Defence Strategy and the Annual Guidelines for Security and Intelligence Agencies' activities.

Pursuant to the Article 25 of the Act, the security services are allowed to collect information: directly from citizens, from open public sources, by accessing official records and different databases and, if necessary, by applying covert procedures and measures. Under conditions established by the Law, measures on the secret collection of information can be applied for a maximum of four months, with the possibility of an extension, and are as follows (Article 33):

1. Secret surveillance of telecommunication services, activity and traffic:
 - a) Secret surveillance of the communication content
 - b) Secret surveillance of the telecommunication traffic data (intercept related information)
 - c) Secret surveillance of the location of the user
 - d) Secret surveillance of international telecommunications.
2. Postal censorship,
3. Secret surveillance and technical recording of the interior of facilities, closed spaces and objects,
4. Secret surveillance and monitoring, with recording of images and photos of persons in the open and public spaces,

5. Secret surveillance and monitoring, with audio recording of the content of communication between persons in the open and public spaces,
6. Secret purchase of documents and objects.

The Croatian security services co-operate with their foreign counterparts and international organisations, and through their everyday activities diminish the terrorist threat in and outside of the Republic of Croatia.

Human Rights in Counter-Terrorism

Croatia believes that effective counter-terrorism measures and the protection of human rights are indeed complementary and mutually reinforcing. Serious infringements of human rights, as well as the one-dimensional approach to countering terrorism, can only help terrorist propaganda. Therefore, Croatia stresses the need for counterterrorism compliance with international law, especially with the UN Charter and relevant international conventions and protocols, in particular human rights law, refugee law and international humanitarian law.

In the Republic of Croatia, the highest standards of human rights and freedoms are guaranteed in the Constitution and other laws, and all relevant international conventions and protocols. The Republic of Croatia supports continued improvement of human rights standards and fundamental freedoms, especially within the EU, UN, OSCE and the Council of Europe framework. Terrorism is an extremely serious violation of fundamental human rights and freedoms, and therefore, it is an obligation and responsibility of the Republic of Croatia to take all necessary measures of prevention and suppression of terrorism.

Civil Oversight/supervision

The security sector has a great responsibility in the protection from terrorism; its good functioning therefore requires that the practices of the security and law enforcement sector in ensuring national security are as proportionate as possible to the needs of citizens' human rights. The Republic of Croatia has made significant steps in ensuring higher participation of citizens in the development of public policies, including those in the field of security. The Council for Civilian Oversight of Security and Intelligence Agencies has existed for many years in the Republic of Croatia, and its work proved to be particularly relevant in supervising the functioning of security and intelligence agencies.

Other relevant legislation

International Restrictive Measures

The Republic of Croatia directly applies all the sanctions adopted by the UN Security Council and European Union. International restrictive measures may be applied to persons and other entities under some form of sanctions because of any type of terrorism.

⁹ Official Gazette – NN 79/06, 105/06

Croatian restrictive measures policy is regulated and implemented based on the Act on International Restrictive Measures¹⁰ (OG 139/08), the Act on Amendments to the Act on the International Restriction Measures (OG 41/2014) and the Decision on the manner of implementing international restrictive measures against asset disposal (OG 78/2011).

This legislation regulates the procedure of introduction, application and abolition of international restrictive measures that the Republic of Croatia introduces, applies and abolishes in line with international acts and decisions accepted within the framework of international organisations, with the objective of establishing and/or maintaining international peace and security, respecting human rights and fundamental freedoms, developing and strengthening democracy and state of law and other objectives harmonised with international law.

With Croatia becoming the member of the European Union, all of the EU legal regulations and other legislative documents in the area of restrictive measures (i.e. *Autonomous EU measures*¹¹), became an integral part of Croatian legal system. Together with the other EU Member States, Croatia applies restriction measures defined in the Common Foreign and Security Policy (CFSP) of the European Union.

In order to ensure consistent implementation, the Croatian Government established the Permanent Coordination Group for the implementation of restrictive measures adopted by UN Security Council and EU. The Group consists of 15 government bodies from various fields of economy, finance, customs, justice, maritime affairs, transport and security, and all of them are obliged to implement the adopted sanctions, within the scope of their jurisdiction. The Ministry of Foreign and European Affairs coordinates the work of this Group and maintains the updated Overview of sanction regimes.

Obligated persons can refer to the Guidelines for the implementation of restrictive measures against asset disposal pursuant to the Act on International Restrictive Measures¹² and Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy¹³.

Liability of Legal Entities for Criminal Offences
The Act on Liability of Legal Entities for Criminal Acts does not contain a closed list of criminal offences for which legal entities can be legally responsible. It allows the initiation and carrying out of the criminal proceeding against legal entities for all criminal offences including the ones with elements of international terrorism.¹⁴

¹⁰ <http://www.mvep.hr/en/documents-and-forms/international-restrictive-measures/>

¹¹ http://eeas.europa.eu/cfsp/sanctions/docs/measure_en.pdf

¹² <http://www.mvep.hr/files/file/2012/MMO/annex27.pdf>

¹³

<http://register.consilium.europa.eu/doc/srv?l=EN&t=PDF&gc=true&sc=false&f=ST%2017464%202009%20INIT&r=http://register.consilium.europa.eu/pd/en/09/st17/st17464.en09.pdf>

¹⁴ Article 3 of the Law on liability of legal entities for criminal acts

Public-Private Partnerships in Counter-terrorism

Public-private partnerships (PPP) in countering terrorism demand a serious and modern approach, a principle that is fully embraced by the Croatian authorities. The National Strategy for the Prevention and Suppression of Terrorism emphasises the development of public private partnerships with the business community in counterterrorism, especially in protecting the critical infrastructure and preventing and suppressing the financing of terrorism, but also in several other fields. There is also enough space for the further development of public-private and social partnerships with the civil society, non-governmental organisations, religious communities and the media.

Prevention of Terrorist Financing

The responsibility for the prevention of money laundering and terrorist financing in the Republic of Croatia lies with a multiagency system which consists of:

- *Prevention bodies* – obligated persons (banks, housing savings banks, exchange offices, insurance undertakings, brokers, lawyers, public notaries, tax advisors, etc.) and the Anti-Money Laundering Office as the central analytics service;
- *Supervisory bodies* – the Financial Inspectorate, the Tax Administration, the Croatian National Bank (CNB), the Croatian Financial Services Supervisory Agency (HANFA);
- *Criminal prosecution authorities* – the Police, the State Attorney's Office and the judiciary.

The Anti-Money Laundering and Terrorist Financing Act (NN 87/08¹⁵, 25/12¹⁶) harmonizes Croatian preventive legislation with relevant international AML/CFT standards, accepts the 40 + IX MONEYVAL recommendations and achieves harmonization with the "Third" EU Directive on the Prevention of the Use of the Financial System for the Purpose of Money Laundering and Terrorist Financing (2005/60/EC). The AMLTF Act is based on relevant EU directives and regulations, FATF Recommendations and the Council of Europe Convention on laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

Croatian authorities formed a Working Group on harmonisation of Croatian AMLTF Law with Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (4th EU AML Directive). The Working Group consists of representatives of AMLO, Financial Inspectorate, Tax Administration, CNB and HANFA. Planned deadline for the adoption of the new AMLTF Law is December 2016.

The new AMLTF Law will incorporate the 4th EU AML

¹⁵ http://narodne-novine.nn.hr/clanci/sluzbeni/2008_07_87_2792.html

¹⁶ http://narodne-novine.nn.hr/clanci/sluzbeni/2012_02_25_632.html

Directive as well as FATF Recommendations adopted in 2012.

The offence of terrorism financing, as defined in the Criminal Code, covers all acts, directly or indirectly, of giving or raising funds knowing that they will, fully or partially, be used for the purpose of committing a terrorist act, irrespective of whether the funds have been fully or partially used for the purpose of committing such offence and irrespective of whether the act has only been attempted.

In addition, relevant AML/CFT legislation also includes: Croatian National Bank Act (NN 75/08,, 54/13¹⁷); Credit Institutions Act (NN 159/13¹⁸, 19/15, 102/15); Foreign Exchange Act¹⁹ (NN 96/03, 140/05, 132/06, 150/08, 92/09, 133/09, 153/09, 145/10, 76/12); Payment System Act²⁰ (NN 133/09, 136/12); Act on the Financial Inspectorate (NN 85/08, 55/11); Act on Games of Chance (NN 87/09); Customs Service Act (NN 83/09); Electronic Money Act²¹ (NN 139/10); Act on Proceedings for the Confiscation of Pecuniary Benefit Resulting from Criminal Offences and Misdemeanours (NN 145/10); Act on Amendments to the Mandatory and Voluntary Pension Funds Act (NN 124/10).

Additionally, Croatian Services Supervisory Agency (HANFA) also adopted Guidelines for the implementation of the AMLTF Act for obligated persons who fall within the jurisdiction of the Croatian Financial Services Supervisory Agency; and the Ministry of Finance adopted General guidelines for the implementation of the AMLTF Act; Guidelines for reporting entities subject to control by the Financial Inspectorate in relation to the enforcement of the AMLTF Act; Guidelines for the implementation of the AMLTF Act for audit firms, independent auditors, natural and legal persons who provide accounting and tax counselling services; Guidelines for the implementation of the AMLTF Act for lawyers and public notaries, as well as a total of 8 rulebooks on the implementation of the AMLTF Act.

Anti-Money Laundering Office (AMLO)

¹⁷ NN 75/08 - http://narodne-novine.nn.hr/clanci/sluzbeni/2008_07_75_2484.html

NN 54/13 - http://narodne-novine.nn.hr/clanci/sluzbeni/2013_05_54_1087.html

¹⁸ NN 159/13 - http://narodne-novine.nn.hr/clanci/sluzbeni/2013_12_159_3328.html

NN 19/15 - http://narodne-novine.nn.hr/clanci/sluzbeni/2015_02_19_397.html

NN 102/15 - http://narodne-novine.nn.hr/clanci/sluzbeni/2015_09_102_1972.html

¹⁹<http://www.hnb.hr/documents/20182/123133/e-zakon-o-deviznom-poslovanju-76-2013.pdf/1c9c21f1-142c-4707-b768-ebc0762ac493>

²⁰ NN 133/09 - http://narodne-novine.nn.hr/clanci/sluzbeni/2009_11_133_3247.html

NN 136/12 - http://narodne-novine.nn.hr/clanci/sluzbeni/2012_12_136_2880.html

²¹ NN 139/10 - http://narodne-novine.nn.hr/clanci/sluzbeni/2010_12_139_3531.html

The Anti-Money Laundering Office (AMLO) is an independent organisational unit within the Ministry of Finance, performing tasks aimed at preventing money laundering and terrorist financing, as well as other tasks as provided for in the AMLTF Act.

As a national Financial Intelligence Unit (FIU), the AMLO collects, stores, analyses and submits data, information and documentation on suspicious transactions to competent government bodies for further proceeding for the purpose of the prevention and detection of money laundering and terrorist financing. In this regard, the AMLO cooperates with the State Attorney's Office of the Republic of Croatia, the Ministry of the Interior – the General Police Directorate, the supervisory services of the Ministry of Finance (the Financial Inspectorate, the Customs Administration and the Tax Administration), the Croatian Financial Services Supervision Agency, the Croatian National Bank, the Security-Intelligence Agency, the Ministry of Foreign and European Affairs, the Ministry of Justice and with other state bodies.

For the purpose of achieving the strategic and operational objectives, the above mentioned bodies (including the AMLO) signed a protocol on cooperation and on the establishment of an Inter-institutional Money Laundering and Terrorist Financing Working Group. Furthermore, the AMLO has timely access, direct or indirect, to financial, administrative and security data, information and documentation relative to the implementation of the Act and regulations passed on the basis of the Act to enable the AMLO to perform its tasks, including the analysis of suspicious transactions.

The AMLO regularly exchanges information on TF risks with reporting entities. Furthermore, AMLO receives regular quarterly updates from banks regarding checks of UN Security Council Sanctions List in relation to clients or persons who have attempted to establish business relationship with banks. AMLO regularly meets with reporting entities to address TF risks through Annual AML/CFT Conference, specialised educations for groups of reporting entities and bilateral meetings with reporting entities.

Within the framework of international cooperation in the field of global prevention of money laundering and terrorist financing, the AMLO, as a Croatian Financial Intelligence Unit, has been actively participating in the work of the Egmont Group of Financial Intelligence Units (FIUs) since June 1998. Representatives of the AMLO attended a number of international seminars organised by the Egmont Group as well as many other seminars and conferences to learn about new methods of combating financial crimes.

The AMLO was also engaged in several international operations to uncover money laundering in co-operation with foreign FIUs. The Republic of Croatia is also a permanent member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures of the Council of Europe.

Furthermore, the AMLO is a member of decentralised computer network FIU.NET, and uses its secure facilities for the exchange of information with FIUs from Member States.

Supervision over the reporting entities

Within the framework of their respective scopes of competence, the AMLO, the Financial Inspectorate, the Tax Administration; the Croatian National Bank and the Croatian Financial Services Supervision Agency conduct the supervision of operations of the reporting entities concerning the application of the AMLTF Law and regulations passed on the basis of the Law.

The AMLO conducts off-site supervision of compliances with the AMLTF Law with all of the reporting entities via the collection and examination of data, information and documentation supplied as per the Law. The Financial Inspectorate conducts on-site supervision of compliance with the Law with all reporting entities. The Tax Administration conducts supervision with organisers of games of chance. The Croatian National Bank conducts supervision with banks, saving banks, housing savings banks, credit unions, and companies for the issuance of electronic money. The Croatian Financial Services Supervision Agency conducts supervision with investment fund management companies, pension companies, companies authorised to do business with financial instruments and insurance companies.

The supervisory bodies exchange data and information between each other needed for the supervisory procedures and inform each other on irregularities identified, provided such findings are of relevance for the work of another supervisory body.

The Croatian National Bank (CNB)

The Croatian National Bank (CNB) has, *inter alia*, the operational autonomy, independence and authority for bank supervision (Article 4 of the Croatian National Bank Act) including in the area of money laundering and terrorist financing.²²

Competences and responsibilities of the CNB are as follows:

- Supervision of the implementation of regulations in the area of prevention of money laundering and terrorist financing in banks, savings banks, credit unions and electronic money institutions;
- Giving recommendations for the improvement of the system for the prevention of money laundering and terrorist financing;
- Cooperation with the AMLO and other domestic bodies in the area of prevention of money laundering and terrorist financing in banks, savings banks, credit unions and electronic money institutions;
- Cooperation with foreign bodies in the area of prevention of money laundering and terrorist financing (based on concluded memoranda of understanding);

- Organisation of training in the area of prevention of money laundering and terrorist financing for banks, savings banks, housing savings banks, credit unions and electronic money institutions;
- Organisation of training for the employees of the Croatian National Bank in the area of prevention of money laundering and terrorist financing;
- Drafting guidelines for the implementation of regulations in the area of prevention of money laundering and terrorist financing for banks, savings banks, housing savings banks, credit unions and electronic money institutions;
- Participation in the drafting of laws and subordinate legislation which regulate the prevention of money laundering in the Republic of Croatia.

The CNB cooperates with relevant domestic and international bodies in the area of prevention of money laundering and terrorist financing.

On 1 July 2015 CNB published Guidelines for the implementation of the AMLTF Law²³ with respect to credit institutions, credit unions and electronic money institutions.

Suspicious Transaction Reporting Made in Good Faith

The Croatian National Bank and the Financial Inspectorate are obliged to notify the AMLO in writing without any undue delay, and within 15 days, of the measures taken, the irregularities identified and other significant information, established through the minutes or other enactment of the Croatian National Bank or the Financial Inspectorate.

The Credit Institutions Act regulates protection from liability for the reporting in good faith of suspicious transactions. The obligation to keep banking secrets shall not apply: if the disclosure of confidential data is necessary for the collection and establishment of facts in criminal proceedings and preliminary proceedings, and if requested or ordered in writing by the competent court; if confidential data is disclosed for the purposes of the Anti-Money Laundering Department and pursuant to laws and other regulations regulating the prevention of money laundering; if confidential data is disclosed to the Croatian National Bank, Financial Inspectorate or other supervisory authority for the purposes of the supervision they exercise within their legally prescribed competence; if confidential data where requested in writing by a State Attorney's Office of the Republic of Croatia or where a State Attorney's Office of the Republic of Croatia orders the Ministry of the Interior in writing to collect information in preliminary proceedings.

The most important legislation that regulates payment services in Croatia is the Payment System Act and Electronic Money Act. Among other issues, new the Payment System Act defines payment service providers.

²³ <http://www.hnb.hr/documents/20182/123133/e-smjernice-zakon-spnft-ki-en.pdf/5cdbdd9d-31af-4690-98cd-77d1f84f594f>

²² <http://www.hnb.hr/en/core-functions/supervision>

The Electronic Money Act regulates the operation of electronic money institutions that are authorised to issue electronic money and may also provide payment services.

Customer Due Diligence

According to the AMLTF Act, for the purpose of preventing and detecting money laundering and terrorist financing, the reporting entities are obliged to fulfil the duties as provided for in the Act and other adopted regulations based on the same Act during the course of the performance of their regular activities. One of those duties is carrying out customer due diligence measures in the manner and under the conditions provided by the Act.

Unless otherwise prescribed in the Act, customer due diligence shall encompass the following measures: 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, identifying the beneficial owner of the customer and verifying the beneficial owner's identity, obtaining information on the purpose and intended nature of the business relationship or transaction and other data in line with this Act, conducting on-going 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, on which the documents and data available to the reporting entity must be kept up-to-date.

When opening a transaction account, credit institutions must establish the identity of the applicant and carry out other procedures in accordance with the regulations governing the prevention of money laundering and terrorist financing. Such rule shall be applied equally for opening resident and non-resident accounts.

Fit and Proper Criteria

Provisions to prevent criminals from holding shares or managerial positions in credit institutions are prescribed in the Credit Institutions Act. According to that Act prior approval from CNB is needed for acquisition of qualified shares of credit institution, for management board members and supervisory board members.

The Foreign Exchange Act stipulates the procedure for issuing and revoking authorizations to conduct exchange transactions as well as the eligibility criteria for qualified owners, members of the management board and procurators of the legal person, who in order to get a Croatian National Bank's licence to perform foreign exchange transactions, should not have been punished for a criminal offence prescribed by this act nor a criminal offence of money laundering.

Qualified owner, within the meaning of the Foreign Exchange Act, is a natural or legal person directly holding a minimum 25% stake or 25% of shares or other rights on the basis of which partakes in the management of the legal person.

Internet Banks

In the banking system of the Republic of Croatia there are no Internet banks and all the existing banks operate exclusively via their registered head offices in the Republic of Croatia. Most banks within the system provide for the possibility of Internet transactions, but such transactions can be executed only upon the opening of an account and business entity identification. Relevant legislation applies to both transactions and entities involved in Internet banking.

Furthermore, as of 1 April 2002, the *Electronic Signature Act*²⁴ has been effective in the Republic of Croatia, regulating the use of electronic and advanced electronic signatures which reliably authenticate the identity of a signatory, which implies the use of asymmetric cryptographic methods, i.e. the public key infrastructure.

The Financial Inspectorate

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

The Financial Inspectorate is an administrative organization within the structure of the Ministry of Finance that supervises the implementation of the provisions in the area of the prevention 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 transfers. The supervision of the reporting entities by the Financial Inspectorate is conducted on the basis of money laundering and terrorist financing risk assessment.

The Financial Inspectorate is entitled to use assistance from other supervisory bodies in conducting supervision of the reporting entities in line with the signed agreements of understanding.

The Croatian Customs Administration

The Customs Administration is an administrative organization within the Ministry of Finance. Within the framework of its authorities and the scope of work prescribed by the Customs Service Act (NN 68/13, 30/14) and according to the Customs Community Code (CCC) (Council Regulation (EEC) No 2913/92), its main aim is protecting people and facilitating traffic, holding the front line against fraud, terrorism and organized crime while making legitimate trade as easy as possible.

²⁴ Official Gazette – NN 10/02, 80/08, 30/14

The primary role of Customs Administration is collecting customs duties and indirect taxes at import, such as excise duties or value added tax (VAT). On the security side, the increased threat of terrorist attacks and the internationalization of organized crime have added a considerable amount of tasks to customs' activities. Customs officers supervise the traffic of goods at external borders and within the EU territory. The EU coordination enables timely exchange of risk information, ensuring that goods refused at one point of entry can be detected if attempting entry at another.

Customs authorities of EU Member States as well as those of some non-EU countries regularly carry out joint customs operations with the Croatian Customs Administration: coordinated and targeted actions to combat smuggling or fraud on particular trade routes. The European Anti-Fraud Office supports these operations, notably by providing strategic analysis, a secure IT platform for exchanging intelligence in real time and deploying investigators and forensic examiners. Occasionally operations involve Europol, Interpol and the World Customs Organization.

Cash couriers

The bodies of the Customs Administration of the Republic of Croatia are obliged to notify immediately the AMLO within a maximum of three days from the date cash was entering or leaving the European Union, across the Republic of Croatia, also in instances when such cash entering or leaving, or an attempt thereof involves cash amounting to less than the equivalent to 10.000 EUR (regardless whether being declared or not to customs body), especially should reasons be established for suspicion of money laundering or terrorist financing in relation to the person carrying the cash, the manner of carrying or other cash carrying circumstances.

Regulation of charitable organizations

The Act on Financial Operations and accountancy of Non-Profit Organizations (NPOs) – (NN 121/14) entered into force on 1st of January 2015.

The Act regulates the framework for financial operations and the elements of the accounting system of NPOs, principles of financial management system, preparation and execution of financial plans, reporting on budget funds spending, accounting principles and activities, business records and accounting documents, list of assets and liabilities, principles of declaring asset, receipts and expenses, financial reporting, audit of annual financial statements, publication of annual financial statements, supervision of financial transactions and accounting, and other areas related to financial operations and accountancy of NPO. According to the Act on Endowments and Foundations (NN 36/95 and 64/01) any endowment or foundation (domestic or foreign) which operates in the territory of the Republic of Croatia must be registered at the state agency responsible for public administration.

National Security Council

In the Republic of Croatia, the National Security Council²⁵ plays a special role in creating policies in the national security domain, in all its aspects, including countering terrorism and terrorist threats. The National Security Council, *inter alia*, provides guidelines and adopts conclusions on the ways of protecting and achieving national security interests.

The Council is composed of the President of the Republic of Croatia and the Prime Minister of the Republic of Croatia, along with other senior state officials responsible for defence, internal affairs, foreign affairs, justice, security and intelligence.

National Commission for the Prevention and Suppression of Terrorism

To coordinate national counter-terrorism activities, a National Commission for the Prevention and Suppression of Terrorism was established in 2014.

It consists of the representatives of all competent authorities dealing with counter-terrorism, with the Ministry of Foreign and European Affairs in the coordinating role.

The National Commission, *inter alia*, coordinates the implementation of the National Strategy for the Prevention and Suppression of Terrorism and its Action Plan, as well as the implementation of international obligations stemming from the membership of the Republic of Croatia in various international organizations and initiatives (the EU, NATO, Council of Europe, and OSCE etc.). The expert working groups assist the National Commission and facilitate its work in a number of terrorism-related fields.

National Consequence and Crisis Management

The National Protection and Rescue Directorate is the leading administrative body for coordinating activities in the field of national critical infrastructure protection and consequence management in the event of major accidents and disasters in the territory of the Republic of Croatia, including in cases of potential terrorist attack.

INTERNATIONAL CO-OPERATION

The Republic of Croatia has developed a normative and institutional system for the exchange of information and international co-operation in the field of the suppression of international terrorism.

The basic legal act regulating the provision of international legal assistance is the Act on International Legal Assistance in Criminal Matters.

²⁵ Official Gazette – NN 79/06, 105/06
https://www.soa.hr/UserFiles/File/Zakon_o_sigurnosno-obavjestajnom_sustavu_RH_eng.pdf

Further, pursuant to the provisions of the Security-Intelligence Services Act, the security services may cooperate with foreign institutions with the approval of the Council for National Security based on proposals from the Council for the Coordination of Security Services.

As EU member state, the Republic of Croatia actively participates in all EUROPOL and EUROJUST counter terrorism activities and working groups, as well as in other EU bodies dealing with counter-terrorism.

The Republic of Croatia, as a member of Interpol, actively participates in the exchanges of terrorism-related information. This co-operation has been especially intensified by the exchange of information with the Interpol Expert Working Group for the fight against terrorism (FUSION TASK FORCE),²⁶ the aim of which is to identify terrorist organisations, groups and individuals, as well as their connections and sources of financing.

In order to improve international co-operation in the field of the suppression of organised crime, drugs and terrorism, the Republic of Croatia has signed numerous bilateral treaties on police co-operation with other countries and international organisations.

Additionally, daily contacts with international partners are maintained through the Ministry of Foreign and European Affairs and also through the direct co-operation of different ministries.

Croatia actively participates in many different international counterterrorism meetings and is determined to continue to do so in the future.

Since September 2014 the Republic of Croatia is also a member of the Global Coalition against ISIL/DAESH, and has committed itself to the goals of eliminating the threat posed by this and other related terrorist groups. Croatia is taking part in the Coalition's Foreign Terrorist Fighters Working Group and is participating in its meetings and activities.

United Nations

The Republic of Croatia fully supports the implementation of the UN Global Counter-Terrorism Strategy, and the work of the Implementation Task Force (CTITF) and other relevant UN entities.

Croatia attaches particular importance to the implementation of relevant UNSC Resolutions, particularly 2178 (2014) and 2253 (2015).

Croatia has fully implemented key obligations and recommendations set forth in the Resolution 2178, dealing with preventing foreign terrorist fighters from reaching conflict zones.

By amending the Criminal Code, Croatia has criminalized the preparatory acts for all terrorism-related crimes, which will allow authorities, inter alia, to prosecute persons travelling, attempting to travel or facilitating of travel abroad for the purpose of terrorism.

Croatia supports the work of the Security Council Committee established pursuant to Resolution 1267 and its Analytical Support and Sanctions Monitoring Team. Croatia firmly believes that only through the vigorous and strict implementation of measures imposed will the international community be able to achieve its goals in this domain of counter terrorism activities.

Croatia welcomes the UN Secretary-General's Plan of Action to Prevent Violent Extremism. The Plan is a consistent move forward to a more comprehensive implementation of the UN Global Counter-Terrorism Strategy. Croatia also supports the interdisciplinary all-of-society approach of the Plan needed for building peaceful and inclusive societies as well as resilience and social cohesion against violent extremism. Although the risk of violent extremism conducive to terrorism is deemed very low, Croatia is committed to investing efforts on the preventive part.

NATO

By joining NATO, Croatia has joined the alliance which protects and promotes common values of freedom, peace, democracy, rule of law, free and social market economy, human and minority rights.

Croatian Armed Forces continuously develop and raise the level of preparedness of the defence and security system of Croatia through various types of military training.

EUROPEAN UNION

The Republic of Croatia became the 28th EU Member State on 1 July 2013. Croatia cooperates with its EU partners in combatting terrorism, and in preventing and deterring terrorists from their criminal activities both on the territory of the EU and abroad. In this vein, Croatia makes every effort to strengthen its own national capacities and coordinate its actions with its international partners in order to address the drivers of terrorism and violent extremism, and to make all exchanges of relevant information in a timely, effective and secure manner.

Organization for Security and Co-operation in Europe (OSCE)

Croatia participates on a regular basis in the events related to counter-terrorism that are organised under the auspices of the Organization for Security and Cooperation in Europe (OSCE). Croatia also welcomes the increased activity by the OSCE in this field.

Council of Europe

Croatia is committed to contribute to the on-going work of the CODEXTER in the sensitive area of countering terrorism and the protection of human rights.

²⁶ Interpol's reference guide and a general information about Croatia's police and judicial system:
<http://www.interpol.int/Member-countries/Europe/Croatia>

Croatia is a party to the relevant international legal instruments, such as the European Convention on the Suppression of Terrorism and the Council of Europe Convention on the Prevention of Terrorism.

The Republic of Croatia is working on the adoption of other relevant Council of Europe's legal instruments.

In conclusion, Croatia deems CODEXTER's concept of developing Country Profiles as a very good example of sharing national experiences and envisages an opportunity for this kind of exercise to become a model for future sharing of national best practices, not only within the framework of the Council of Europe, but also in a broader context.

Relevant Council of Europe's conventions	Signed	Ratified
European Convention on the Suppression of Terrorism (ETS 90)	07/11/2011	15/01/2003
Amending Protocol (ETS 190)	17/09/2003	10/05/2005
European Convention on Extradition (ETS 24)	-	25/01/1995 a
First Additional Protocol (ETS 86)	-	25/01/1995 a
Second Additional Protocol (ETS 98)	-	25/01/1995 a
Third Additional Protocol (ETS 209)	20/09/2012	-
European Convention on Mutual Assistance in Criminal Matters (ETS 30)	07/05/1999	07/05/1999
First Additional Protocol (ETS 99)	15/09/1999	15/09/1999
Second Additional Protocol (ETS 182)	09/06/2004	28/03/2007
European Convention on the Transfer of Proceedings in Criminal Matters (ETS 73)	23/06/2003	-
European Convention on the Compensation of Victims of Violent Crimes (ETS 116)	07/04/2005	04/07/2008
Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (ETS 141)	06/11/1996	11/10/1997
Convention on Cybercrime (ETS 185)	23/11/2001	17/10/2002
Additional Protocol concerning the criminalisation of acts of a racist and xenophobic nature committed through computer systems (ETS 189)	26/03/2003	04/07/2008
Council of Europe Convention on the Prevention of Terrorism (ETS 196)	16/05/2005	21/01/2008
Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism	29/04/2008	10/10/2008

