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ON THE EVALUATION OF ANTI-
MONEY LAUNDERING MEASURES
(PC-R-EV)

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Croatia

1st Compliance Report

5 December 2017

Croatia is a member of MONEYVAL. This Report from Croatia under step 1 of the Compliance Enhancing Procedures was adopted at MONEYVAL's 55th Plenary Meeting (Strasbourg, 4-7 December 2017). For further information, please refer to MONEYVAL website: <http://www.coe.int/moneyval> .

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LIST OF ACRONYMS

AML/CFT	Anti-money laundering and combating financing of terrorism
CC	Criminal Code
CCP (CPA, CPC)	Code of Criminal Procedure
CDD	Customer Due Diligence
CTR	Cash transaction report
DNFBP	Designated Non-Financial Businesses and Professions
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
KYC	Know your customer
LEA	Law Enforcement Agency
MER	Mutual Evaluation Report
ML	Money Laundering
MLA	Mutual legal assistance
SAR	Suspicious Activity Report
SR	Special recommendation
STR	Suspicious transaction report
UN	United Nations
UNSCR	United Nations Security Council resolution

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1st Compliance Report submitted by Croatia

Note by the Secretariat

Introduction

1. Following the adoption of the 4th round MER in September 2013, Croatia was placed in regular follow-up. Since then Croatia submitted four follow-up reports (in September 2015, April 2016, December 2016 and September 2017 respectively). At the last occasion, Croatia was invited to seek removal from the regular follow-up.

2. At the Plenary in September 2017, the Secretariat analysis of Croatia's fourth follow-up report concluded that the country had taken positive steps to remedy some of the identified deficiencies for core and key recommendations rated "partially compliant" (PC). However, despite of additional amendments proposed to the Criminal Code and the Criminal Procedures Code, the secretariat noted that the majority of identified shortcomings remained unaddressed. The Croatian delegation informed the Plenary that the draft AML/CFT Law would address a number of deficiencies concerning core, key and other recommendations rated PC, once it enters into force. The delegation also pointed to a recent significant increase of investigations, prosecutions, confiscations, as well as an increase in the effectiveness of the supervision regime.

3. While noting recent progress, the Plenary considered that Croatia was not yet in a position to be removed from the regular follow-up procedure. A number of significant deficiencies under both core and key recommendations remained unaddressed. The Plenary encouraged Croatia to finalise legislative work on the draft AML/CFT Law as soon as possible. Due to the limited progress made with respect to core and key Recommendations, and mindful of Rule 13, paragraph 6 of its 4th round Rules of Procedure, the Plenary decided to apply Step 1 of the MONEYVAL's Compliance Enhancing Procedures given that it had been four years since the adoption of the 4th round MER. The Plenary invited Croatia to report on the state of the draft AML/CFT Law at its 55th Plenary in December 2017. Croatia was invited to further report on all other remaining deficiencies at the 56th Plenary in April 2018.

4. The Croatian delegation submitted the information that the new AML/CFT Law was adopted by the Croatian Parliament on 27 October 2017 and published in the Official Gazette on 8 November 2017. The new law seeks the implementation of the 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) and as well as MONEYVAL recommendations from the 4th round MER regarding a number of core and key recommendations. A translation of the law is currently underway.

Conclusion

5. The Croatian delegation should be commended for the adoption of the new AML/CFT Law. It is suggested to the Plenary that Croatia is invited, in line with the decision taken at the 54th Plenary in September 2017, to report back to the 56th Plenary in April 2018 on all remaining deficiencies from the 4th round MER. At that occasion, it is proposed that the Plenary decides further with regard to MONEYVAL's Compliance Enhancing Procedures. For the time being, the secretariat would be grateful to receive a translation of the new AML/CFT Law as soon as possible ahead of the 56th Plenary in April 2018 in order to analyse the progress made by Croatia.