

Croatian National Bank, Zagreb, Trg hrvatskih velikana 3, represented by the Governor of the Croatian National Bank, dr Željko Rohatinski

and

Ministry of Finance, Zagreb, Katančičeva 5, represented by the Minister of Finance, Ivan Šuker

hereby enter into

**AGREEMENT ON CO-OPERATION AND EXCHANGE OF INFORMATION
IN THE AREA OF ANTI-MONEY LAUNDERING AND COMBATING OF
TERRORISM FINANCING**

1. Introductory Provisions

1.1 By concluding the Agreement on Co-operation and Exchange of Information in the Area of Anti-Money Laundering and Combating of Terrorism Financing (hereinafter: the Agreement), the Croatian National Bank and the Ministry of Finance of the Republic of Croatia (hereinafter: signatories to the Agreement), the members of the interministerial body, in charge of the anti-money laundering co-ordination at the strategic and operative level, define the contents and method of co-operation and exchange of information and data, collected as a part of their supervisory competence, with an aim of preventing and detecting money laundering and combating of terrorism.

1.2 The signatories to the Agreement shall co-operate and exchange information and data through the Prudential Regulation and Bank Supervision Area of the Croatian National Bank (hereinafter: the Area) and the Anti-Money Laundering Department of the Ministry of Finance (hereinafter: the AMLD), as a part of their competences prescribed by the Act on the Croatian National Bank (Official Gazette 36/01), Banking Act (Official Gazette 84/02) and the Act on the Prevention of Money Laundering (Official Gazette 69/97, 106/97, 67/01, 114/01, 117/03 and 142/03; hereinafter: APML). Co-operation of the signatories to the Agreement shall be encouraged, in particular, in:

- a) performing supervision in the banking sector (Article 21.a, paragraph 1, sub-paragraph 1 of the APML);
- b) exchange of information and data required for the prevention and detection of money laundering and combating of terrorism financing, i.e. exchange of information concerning the suspected money laundering and terrorism financing transactions, detected by the Area and the AMLD in performing the regular activities within their competence;
- c) preparing the instructions for the prevention of money laundering and terrorism financing for the banking sector;
- d) training and education of the persons responsible for the implementation of the APML in the banking sector;
- e) further development of the preventive system in combating money laundering and terrorism financing in the Republic of Croatia;

2. Performing Supervision in the Banking Sector

The signatories to the Agreement agree that in performing supervision over banks and housing saving banks in the area of preventing and detecting money laundering and terrorism financing, every party assumes the obligations as follows:

2.1 Obligations of the Croatian National Bank - the Area

2.1.1 In performing the supervision of banks and housing savings banks, the Croatian National Bank shall, in addition to the control of the application and implementation of regulations governing operation of banks and housing savings banks, control the application and implementation of APML.

2.1.2 In the course of performing the on-site supervision of the system of anti-money laundering and combating of terrorism financing, the Area shall in particular carry out:

a) formal examination: compliance of bank's documents with the APML and the APML Implementation Ordinance, appointment of the authorized person and his/her deputies, ensuring for the authorized person to be able to carry out exclusively the tasks related to anti-money laundering and combating the financing of terrorism, training of the authorized person and bank's employees, performance of internal audit in the area of anti-money laundering and combating of terrorism financing, adequacy of the applications used in conducting payment transactions, as well as existence and adequacy of the program support for the automated identification of transactions subject to the criteria of reporting to the AMLD;

b) actual examination: control of validity and scope of reporting cash transactions, control of validity and scope of reporting of related cash transactions, control of validity and scope of reporting of suspicious transactions, control of the internal audit findings, control of the beneficial owner identification, as well as control of safe-guarding, protecting and method of storing data.

The control shall be carried out on the basis of the samples, selected for the purpose of examination of the internal control system adequacy in individual business processes of banks and housing savings banks.

2.1.3 The Area shall, following the completion of every on-site examination of banks and housing savings banks, deliver to the AMLD a copy of the on-site examination findings, relating to application and implementation of APML.

2.2 Obligations of the Ministry of Finance - the AMLD

2.2.1 The AMLD shall have a role of a co-ordinator in the supervision of obligated entities under the APML and shall carry out an administrative supervision of banks and housing savings banks, within its competence (Article 21, paragraph 2.a of the APML).

2.2.2 The AMLD shall, based on a copy of the on-site examination findings, relating to the application and implementation of APML, initiate misdemeanour proceedings for the illegal activities identified by the Area, and shall notify the Area of the actions taken.

2.2.3 If the AMLD becomes aware of an illegal activity and/or irregularity in the work of a bank and housing savings bank, which relate to the application and implementation of the APML, it shall deliver to the Area the data specifying the these illegal activities and/or irregularities, as well as the bank or housing savings bank in question.

3. Exchange of Information

3.1 The signatories to the Agreement may, in addition to the information exchange requirement, set out to in chapter 2. of this Agreement (Performing Supervision in the Banking Sector) exchange other information relevant for their work, on the basis of a written request, and in accordance with chapter 7. of this Agreement and the provisions of APML. When the signatories to the agreement assess that particular measures should urgently be taken, the request may also be filed orally, by using the identification password, provided that it is subsequently confirmed in writing.

3.2 Upon the oral request and use of identification password by the authorized employees of the Area, in the course of the on-site examination process, the AMLD shall urgently orally notify the former of the receipt of the report by banks or housing savings banks concerning a particular transaction or similar information. In that case, no subsequent confirmation in writing shall be required.

3.3 The identification passwords, as well as the terms and methods of their use by the authorized employees of the Area and the AMLD shall be regulated by a special regulation.

3.4 The AMLD shall, at the written request of the Area, deliver to the Area statistical data required for the purpose of performing on-site examination for individual banks or housing savings banks.

3.5 If the Area, in the course of performing on-site supervision of banks and housing savings banks, has identified suspicious transactions (according to the indicators for detection of suspicious transactions or transactions for which there appears to be no logical economic purpose), it shall urgently notify the AMLD thereof by a special letter. The Area shall indicate in such notification all the data available, including the reasons for suspecting such transaction, and shall deliver the appropriate documentation.

4. Preparation of Instructions for the Prevention of Money Laundering and Combating Financing of Terrorism

4.1 Pursuant to Article 22 of the APML, the Minister of Finance shall be competent for adopting the regulation governing the APML implementation, and pursuant to Article 12 of the APML Implementation Ordinance (Official Gazette 189/03), the AMLD shall, in co-operation with the obligated entities and authorized supervisory bodies of the obligated entities, make a list of indicators for detection of suspicious transactions, referred to in Article 4, paragraph 5 of AMPL. The AMLD shall submit the aforementioned list of indicators to the Croatian National Bank (the Area).

4.2 The CNB shall, under this Agreement, prepare the instruction proposal and guidelines for the implementation of the measures in the field of anti-money laundering and combating financing of terrorism, for the needs of banks and housing savings banks, and shall deliver

them to the AMLD for the adoption procedure. Upon the adoption, the AMLD shall be obliged to deliver the same to the entities obligated to implement the measures.

4.3 The measures and activities for the detection and prevention of money laundering and combating financing of terrorism, to be set out in detail in the instructions and guidelines for banks and housing savings banks, shall be as follows: customer identification, implementation of the "know your customer" principle, identification of related and suspicious transactions, reporting on transactions, use of e-banking, safe-guarding, protecting and storing data, obligations of the authorized person, training requirement for the employees of banks and housing savings banks, etc.

4.4 Instructions and guidelines shall be compliant with the international standards and the Croatian regulations in the area of anti-money laundering and combating terrorism financing.

5. Training and Education of Persons Responsible for the Implementation of APML in the Banking Sector

For the purpose of strengthening the overall anti-money laundering system in the Republic of Croatia, and the system of prevention in the banking sector in particular, the AMLD and the Area shall, at least once a year, jointly organize a training and education for the authorized persons in banks and housing savings banks and their deputies, in the area of implementation of the prescribed measures and activities, aimed at prevention and detection of money laundering and combating financing of terrorism.

6. Further Development of the Preventive System in Combating Money Laundering and Terrorism Financing in the Republic of Croatia

6.1. The signatories to the Agreement shall co-operate in further development of the preventive system in combating money laundering and terrorism financing by applying the international instruments used for the prevention of money laundering and terrorism financing, for the purpose of a complete adjustment of the Croatian system of prevention to the accepted international standards.

6.2. The signatories to the Agreement agree to apply all the existing and future international instruments, relating to the anti-money laundering and combating financing of terrorism, in the development of the preventive system of the Republic of Croatia.

7. Safe-Guarding and Protecting Information and Data

7.1 Information and data collected by the signatories to the Agreement in the area of anti-money laundering and combating financing of terrorism shall be confidential and secret, i.e. they shall represent a professional secret.

7.2 The signatories to the Agreement agree to take all the measures necessary for safe-guarding and protecting confidentiality and secrecy of the obtained information and data, and to use the exchanged confidential information and data only for the purpose of preventing and detecting money laundering and combating terrorism financing.

7.3 The signatories to the Agreement shall impose an obligation on the employees having excess to such information, to protect secrecy of confidential information and data obtained through co-operation with the other signatory to the Agreement.

7.4 The obligation to protect confidential information and data obtained on the basis of this Agreement shall exist even in the case the Agreement ceases to be valid, i.e. upon the cessation of employment of individual employees with the signatory to the Agreement.

7.5 In the process of an interactive exchange of information and data indicated in chapters 2. and 3. of this Agreement, the signatory to the Agreement from whom the information has been requested may notify the signatory to the Agreement requesting the information, of possible other government bodies, supervisory bodies and obligated entities under the APML who could have the requested information and data.

8. Final Provisions

8.1 The Area Director and the Head of the AMLD shall be responsible for the implementation of this Agreement on behalf of the signatories to the Agreement, while the head of the AMLD's unit for the prevention and a contact person appointed by the Croatian National Bank shall be in charge of the operative implementation of this Agreement and all the required consultations in the implementation of the latter.

8.2 This Agreement shall remain in force as long as the signatories to the Agreement have not agreed otherwise, or until one of the signatories to the Agreement has delivered to the other signatory a written notification of cancellation. The Agreement shall be considered cancelled upon the expiry of the time limit of 30 days following the receipt of a written notification of cancellation by one of the signatories to the Agreement. The effects of the cancellation shall not relate to the already assumed obligations.

8.3 This Agreement shall enter into force as of the date it has been signed by both signatories to the Agreement. The Agreement is made in two original copies, one copy for each signatory to the Agreement.

**FOR THE CROATIAN NATIONAL BANK
GOVERNOR**

dr Željko Rohatinski

**FOR THE MINISTRY OF FINANCE
MINISTER OF FINANCE**

Ivan Šuker

In Zagreb, 2 August 2006
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