

Pursuant to Article 46, paragraph 5 of the Foreign Exchange Act (Official Gazette 96/2003, 140/2005 and 132/2006) and Article 38, paragraph 3 (1) of the Croatian National Bank Act (Official Gazette 36/2001 and 135/2006), the Council of the Croatian National Bank adopted at its session on 14 February 2007 the following

D E C I S I O N

On The Conditions And The Manner In Which Authorised Currency Exchange Offices Conduct Currency Exchange Transactions

General provisions

Article 1

(1) This Decision governs:

1. detailed conditions for the conduct of currency exchange transactions, including:
 - a) essential elements of the agreement for the conduct of currency exchange transactions,
 - b) characteristics of the protected computer program,
 - c) use of certified program,
2. manner of conducting currency exchange transactions,
3. on-site examination and reporting obligation of the reporting bank

(2) This Decision shall not apply to currency exchange transactions conducted by banks.

Definitions

Article 2

For the purposes of this Decision, the following terms shall have the following meaning:

1. *Applicant* shall be any resident legal person, sole trader, craftsmen, legal person in the process of establishment and natural person intending to engage in a currency exchange business as a sole trader or a craftsman, who applies to the Croatian National Bank for an authorisation to conduct currency exchange transactions.
2. *Currency exchange outlet* shall be a business premise and an organisational unit of the authorised currency exchange office where currency exchange transactions are conducted, consisting of one or more cash desks and forming an integral part of a business space where other business activities are also carried out.
3. *Cash desk* shall be that part of a currency exchange outlet where currency exchange transactions with clients are conducted.
4. *Certificate of authenticity for the negotiated protected program* shall be a signed statement provided by the manufacturer of the protected program attesting that the program negotiated

under the purchase agreement concluded between the manufacturer and the applicant, or the authorised currency exchange office, has been certified by the Croatian National Bank.

5. *Certificate of authenticity for the installed protected program* shall be a signed statement provided by the manufacturer of the protected program attesting that the installed program is identical to the program originally negotiated under the relevant purchase agreement with the authorised currency exchange office and carrying the manufacturer's certificate of authenticity for the negotiated protected program.

6. *Protected program* shall be a computer program which meets all the criteria set out in Article 4 of this Decision.

7. *Certified program* shall be a protected program which has been issued a certificate by the Croatian National Bank.

8. *Contractual bank* shall be a bank whose authorisation also contains authorisation to provide trading services, in its name and for its account or in its name and for the account of a client, in foreign means of payment, including currency exchange transactions, with which the applicant, or the authorised currency exchange office has concluded an agreement or a preliminary agreement for the conduct of currency exchange transactions.

9. *Agreement for the conduct of currency exchange transactions* shall be an agreement concluded between the contractual bank and the applicant or the authorised currency exchange office, which contains all the essential elements as prescribed by this Decision and which may also be concluded subject to a condition that it enters into effect after authorisation for the conduct of currency exchange transactions has been issued.

10. *Preliminary agreement for the conduct of currency exchange transactions* shall be an agreement which binds both the applicant and the contractual bank to conclude an agreement for the conduct of currency exchange transactions, and which shall contain all the essential elements of an agreement for the conduct of currency exchange transactions as prescribed by this Decision.

11. *Protected program purchase agreement* shall be an agreement concluded between the protected program manufacturer and the applicant, or the authorised currency exchange office, specifying in detail the program which is the subject of the agreement and entitling the applicant, or the authorised currency exchange office, to use the protected program and which may also be concluded under the condition that it enters into effect after authorisation to conduct currency exchange transactions has been issued.

12. *Provisional cash desks* shall be cash desks set up at special locations during special events and fairs.

Agreement for the conduct of currency exchange transactions

Article 3

(1) With each applicant, or an authorised currency exchange office, a contractual bank may conclude only one agreement for the conduct of currency exchange transactions.

(2) For each currency exchange outlet, the applicant, or the authorised currency exchange office, may conclude an agreement for the conduct of currency exchange transactions with only one bank. In cases where an authorised currency exchange office has more than one currency

exchange outlet, it can conclude more than one agreement for the conduct of currency exchange transactions and that with different banks.

(3) The authorised currency exchange office shall conclude an agreement for the conduct of currency exchange transactions for each of its currency exchange outlets.

(4) Agreement for the conduct of currency exchange transactions shall contain the following essential elements:

1. a list of currency exchange outlets covered by agreements between the contractual bank and the applicant or the contractual currency exchange office with a precise description of currency exchange outlet locations, in case of several currency exchange outlets operating at the same address,

2. a provision on the exchange rate list that will be used as a basis for currency exchange transactions by the currency exchange office (the authorised currency exchange office and the contractual bank may agree on the use of exchange rate provided by the contractual bank or on the use of own exchange rate list of the authorised currency exchange office),

3. a provision on the types of currencies that the authorised currency exchange office may purchase from its clients,

4. a provision regulating the obligation of the contractual bank to purchase from the authorised currency exchange office all currencies that the authorised currency exchange office may purchase from its clients, pursuant to an agreement for the conduct of currency exchange transactions,

5. a provision regulating the obligation of the bank and the authorised currency exchange office to purchase and to sell, respectively, at least once a month the full amount of foreign cash and checks denominated in foreign currency purchased by the authorised currency exchange office in its currency exchange outlet covered by the agreement, or to purchase and to sell, respectively the full balance between foreign currency purchase and sale transactions made by the authorised currency exchange office at each currency exchange outlet covered by the agreement, in respect of all the agreed currencies,

6. a provision on the amount of kuna needed for personal daily expenditures that the authorised persons in an authorised currency exchange outlet and persons engaged in currency exchange transactions may have in their currency exchange outlet,

7. a provision regulating the obligation of the contractual bank to submit to the authorised currency exchange office:

- information on changes in foreign banknote features and on any release for circulation of new banknotes and withdrawal from circulation of old banknotes,
- information on detection of counterfeit banknotes and their features,
- applicable exchange rate lists for each business day,
- for each currency exchange outlet, pre-printed purchase or sale receipt forms bearing serial numbers,

8. a provision regulating the obligation of the authorised currency exchange office:

- to use the certified program and to have a certificate of authenticity for the negotiated protected program,
- to enable examination by contractual bank examiners,
- to prepare, using the certified program, reports "Transactions Cash Book" and "End-of-Day Cash Book Balance Report",
- to issue to each client a purchase/sale receipt for each purchase or sale transaction, using the certified program,
- to submit to the contractual bank, for each currency exchange outlet, a "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency",
- to submit to the contractual bank, with each sale to the contractual bank of foreign cash and checks denominated in foreign currency, its report "Specification of Foreign Cash and Checks Denominated in Foreign Currency",
- to act in accordance with the provisions of the Law on Prevention of Money Laundering,

9. the obligation of the contractual bank and the authorised currency exchange office to keep records of all serial numbers of the pre-printed purchase or sale receipt forms received and given,

10. the provision specifying the period during a calendar year in which the authorised currency exchange office conducts currency exchange transactions, days in a week in which the authorised currency exchange office conducts currency exchange transactions and the office hours of the currency exchange office.

(5) No authorised currency exchange office shall be allowed to transfer any rights and/or obligations under an agreement for the conduct of currency exchange transactions to a third party.

Protected program

Article 4

(1) Protected program is a computer program which enables:

1. making purchase and sale receipts and their automatic printouts,
2. making reports including "Transactions Cash Book" and "End-of-Day Cash Book Balance Report", "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency" and "Daybook of Purchases of Foreign Cash and Checks Denominated in Foreign Currency" and "Daybook of Foreign Currency Sale", on the basis of all entered data,
3. making and use of only one exchange rate list during one day,
4. preventing transactions from being carried out without an exchange rate list being made for that particular day,
5. that the reporting and calculation of exchange commission may be conducted only if the authorised currency exchange office engages only in purchases of foreign cash and checks denominated in foreign currency,

6. chronological recording of entries in the "Transactions Cash Book".

(2) The protected program shall enable detection of any deletions or amendments to the originally stored data.

(3) The protected program shall not allow any amendments or subsequent recording of transactions after the "End-of-Day Cash Book Balance Report" has been closed.

(4) The protected computer program shall contain a database, developed by the Croatian National Bank, with supervisory procedures which enable detection of any data deletions or amendments.

(5) The protected program shall enable that at any given moment data on all transactions conducted on any particular day during the current and previous calendar year can be shown and printed out and that reports referred to in paragraph 1 of this Article can also be shown and printed out for each day in the current and the previous calendar year.

(6) Purchase receipt shall contain the following information:

1. company name and identification number of the authorised currency exchange office,
2. name of the contractual bank,
3. name of receipt: "Purchase receipt",
4. serial number,
5. numerical and letter code of the purchased foreign currency (in accordance with the applicable regulation governing the use of state and country letter and numerical codes and currency codes in cross border payment transactions),
6. the amount of foreign cash purchased, or the amount of the redeemed check denominated in foreign currency,
7. the exchange rate used for the purchase of foreign cash or the check denominated in foreign currency,
8. the kuna equivalent of the purchased foreign cash or the check denominated in foreign currency,
9. the amount of calculated exchange commission in kuna, if the authorised currency exchange office engages only in the purchase of foreign cash and checks denominated in foreign currency,
10. date and time of transaction (hour, minutes),
11. letter N to indicate a non-resident client,
12. signature of the responsible person of the authorised currency exchange office, or the person conducting currency exchange transactions in a currency exchange outlet (instead of signature, that person's code number may be given),
13. serial number of the pre-printed purchase receipt form shall be given in case the authorised currency exchange office is not able, at the moment of purchase, for legitimate reasons, to use the certified program.

(7) Sale receipt shall contain the following information:

1. company name and identification number of the authorised currency exchange office,

2. name of contractual bank,
3. name of receipt: Sale Receipt,
4. serial number,
5. numerical and letter code of foreign cash that is being sold (in accordance with the applicable regulation governing the use of state and country letter and numerical codes and currency codes in cross-border payment transactions),
6. the amount of foreign cash sold,
7. the exchange rate used for the foreign cash sale transaction,
8. the kuna equivalent of foreign cash sold,
9. payment instrument code (cash - CAS, checks based on households' current accounts - CHE, debit cards - DEB, credit card - CRE),
10. date and time of transaction (hour and minutes),
11. letter N to indicate a non-resident client,
12. signature of the responsible person in the authorised currency exchange office, or the person conducting currency exchange transactions in a currency exchange outlet (instead of signature, that person's code number may be given),
13. serial number of the pre-printed sale receipt forms shall be given in case the authorised currency exchange office is not able, at the moment of purchase, for legitimate reasons, to use the certified program.

(8) On the first business day in a new calendar year, the protected program shall enable the opening of business books for the new year, carrying forward to the new calendar year closing previous calendar year balances as opening balances. On the first business day in a new calendar year, the serial number of any type of transaction shall start with number 1.

(9) The protected program shall also meet all the other requirements specified in the Decision and comply with the Instruction for the implementation of this Decision as well as with the Functional and Technical Specifications set by the Croatian National Bank.

Use of certified program

Article 5

(1) The authorised currency exchange office shall use the certified program in all its currency exchange outlets and for all its currency exchange transactions.

(2) The authorised currency exchange office shall register all transactions associated with currency exchange transactions by means of the certified program.

(3) The authorised currency exchange office shall use the certified program to prepare all the reports at its currency exchange outlets.

(4) The "End-of-Day Cash Book Balance Report" may be compiled either as an interim or a final report. An interim "End-of-Day Cash Book Balance Report" may be compiled in the course of the business day. At the end of each business day, the authorised currency exchange office shall

make a final "End-of-Day Cash Book Balance Report". The closing balance of the "End-of-Day Cash Book Balance Report" shall be the sum total of the opening balance and all the transactions made, for each currency separately. The closing balance shall be compared with the amount of cash and checks in hand and any differences shall be entered separately in the business books.

(5) Reports "Transactions Cash Book" and "End-of-Day Cash Book Balance Report" shall be signed by the responsible person in the authorised currency exchange office or by a person conducting exchange transactions in a currency exchange outlet.

(6) Data given in "End-of-Day Cash Book Balance Reports" shall be entered in the business books.

(7) When, for legitimate reasons, the authorised currency exchange office cannot use computer technology, it shall compile reports "Transactions Cash Book" and "End-of-Day Cash Book Balance Report" manually, and after such reasons cease to exist, make electronic entry of the data on the completed transactions for a specific day and prepare all the prescribed reports using the certified program, in accordance with this Decision.

(8) The authorised currency exchange office shall keep at the premises of its currency exchange outlet, in an electromagnetic/digital external memory, all currency exchange transactions data recorded by means of the certified program, for the current and the previous two calendar years, including all reports.

(9) The responsibility for the use of uncertified computer program shall lie with the authorised currency exchange office and the person installing such a program or making subsequent amendments thereto.

Manner of conducting currency exchange transactions

Article 6

(1) The authorised currency exchange office may conduct currency exchange transactions with natural persons only.

(2) At any of its currency exchange outlets, the authorised currency exchange office may:

1. purchase foreign cash and/or redeem checks denominated in foreign currency and sell foreign cash, or
2. only purchase foreign cash and/or redeem checks denominated in foreign currency.

(3) The authorised currency exchange office may purchase foreign cash and redeem checks denominated in foreign currency in exchange for kuna cash payments and may sell foreign cash against payments in kuna cash, checks denominated in kuna and debit and credit cards.

(4) Any kuna denominated checks found in a currency exchange outlet which the authorised currency exchange office has received from its clients, shall be completed in accordance with the Checks Act.

Article 7

(1) The authorised currency exchange office may conduct currency exchange transactions in one or more currency exchange outlets.

(2) No currency exchange outlet can be placed in the space designated for international arrivals at airports or in seaports or at road border crossings in the space between the customs and police control of the Republic of Croatia and the customs and police control of the neighbouring country.

(3) In addition to measures aimed at reducing risk and improving the protection of persons conducting currency exchange transactions, as prescribed by a special law which lays down the minimum conditions for transactions involving cash and valuables, the authorised currency exchange office shall also have at each of its currency exchange outlets:

1. a cash desk for safekeeping the kuna, foreign currency and checks, exclusively for the conduct of currency exchange transactions,

2. a copy of the authorisation from the Croatian National Bank for the conduct of currency exchange transactions,

3. a prominently placed sign "Currency Exchange Office" in the Croatian and at least one foreign language; where the authorised currency exchange office also conducts other businesses in the same business space as currency exchange transactions, the sign "Currency Exchange Office" shall also be placed prominently in that part of the business space where only currency exchange transactions are conducted;

4. a valid exchange rate list indicating rates for foreign currencies traded placed in a prominent position visible to clients;

5. a notice on the amount of exchange commission charged (if any) placed in a prominent position visible to clients;

6. a notice indicating the contractual bank with which the authorised currency exchange office has concluded an agreement for the conduct of currency exchange transactions in that particular currency exchange outlet, which shall be placed in a prominent position visible to clients;

7. a notice placed in a prominent position visible to clients, reading: "For each foreign cash purchase or sale or redemption of checks denominated in foreign currency, the exchange office is obligated to issue a receipt to the client";

8. "Transactions Cash Book" and "End-of-Day Cash Book Balance Report" held separately from other business documentation, where some other business is conducted in the same business space.

(4) Where the authorised currency exchange office conducts other businesses in the same business space as currency exchange transactions and keeps foreign cash and checks in the vault, the cash and the checks arising from currency exchange transactions shall be kept separately from the cash and the checks arising from other businesses.

(5) The authorised currency exchange office may not keep any foreign cash or checks within its currency exchange outlet which have not been registered by the certified program or which cannot be supported by adequate documentation.

(6) For the purposes of examination by supervisory bodies referred to in Article 58, paragraph 2 of the Foreign Exchange Act, and the contractual bank, each currency exchange outlet shall keep the following documentation:

1. a photocopy of an agreement for the conduct of currency exchange transactions for that currency exchange outlet;
 2. a photocopy of the decision on the enrolment of the business of currency exchange transactions in the court register or the register of crafts;
 3. purchase/sale receipts and Transactions Cash Book and End-of-Day Cash Book Balance Reports on the media suitable for automated data processing for the current and the previous calendar year;
 4. own exchange rate lists, or exchange rate lists provided by the contractual bank for the current and the previous calendar year;
 5. reports: "Daybook of Purchases of Foreign Cash and Checks Denominated in Foreign Currency" and "Daybook of Foreign Currency Sale", for the current and the previous calendar year on the media suitable for automated data processing, for the current and the previous calendar year;
 6. reports "Specification of Foreign Cash and Checks Denominated in Foreign Currency", approved by the bank, for the current and the previous calendar year, and the associated bank purchase receipts;
 7. interim or final reports "End-of-Day Cash Book Balance Report" made at the moment of payment of foreign cash from the currency exchange vault for sale to the bank;
 8. documents on the basis of which purchase and sale transaction payments were made, for the current and the previous calendar year;
 9. certificate of authenticity for the negotiated protected program;
 10. "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency", for the current and the previous calendar year;
 11. signed reports "Transactions Cash Book" and "End-of-Day Cash Book Balance Report", for the current and the previous calendar year;
 12. client identification data and client transaction data collected in accordance with the Law on Prevention of Money Laundering, which the authorised currency exchange office is obligated to submit to the Anti-Money Laundering Department, upon the latter's request;
 13. records of receipts of foreign cash purchase and sale transactions made at more favourable exchange rate, indicating serial numbers of such receipts and customer's identity (name, surname, address, number of identification document or passport).
- (7) The responsible persons in the authorised currency exchange office and the persons conducting currency exchange transactions in currency exchange outlets shall enable on-site examination by the Foreign Exchange Inspectorate of the Ministry of Finance.
- (8) Persons conducting currency exchange transactions in a currency exchange outlet shall have the skills necessary to use the certified program and shall be able to speak at least one foreign language.
- (9) The responsible persons in the authorised currency exchange office and the persons conducting currency exchange transactions shall be allowed to keep in a currency exchange outlet

only that amount of own kuna which is needed for their own personal daily expenses, and that to the limit specified in the agreement for the conduct of currency exchange transactions.

(10) The authorised currency exchange office may set up provisional cash desks. The authorised currency exchange office shall sign an annex to the agreement for the conduct of currency exchange transactions for that cash desk, not later than within eight days before opening such a provisional cash desk. The contractual bank shall submit a copy of any such agreement for the conduct of currency exchange transactions to the Foreign Exchange Inspectorate of the Ministry of Finance within three business days from its signing.

(11) The provisions of this Decision shall apply, *mutatis mutandis*, to all provisional cash desks. If the circumstances at the provisional cash desk do not allow the use of the certified program, the authorised currency exchange office shall conduct currency exchange transactions manually, using the pre-printed purchase/sale receipt forms, with an obligation to enter purchase or sale receipt data into the certified program located at the currency exchange outlet.

(12) The exchange office shall submit to its contractual bank once a month, not later than on the seventh calendar day in the current month, a "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency" for all purchase and sale transactions of foreign cash and redemptions of checks denominated in foreign currency in the previous calendar month. If the seventh calendar day in a month falls on a non-business day or a holiday, the "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency" shall be submitted until the end of the first next business day, at the latest. For the purposes of reporting in connection with this item, Saturdays shall not be considered business days.

(13) Where the authorised currency exchange office has concluded an agreement for the conduct of currency exchange transactions with more than one bank, such an authorised currency exchange office shall submit to each contractual bank its "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency" for all currency exchange outlets which are the subject of the agreement for the conduct of currency exchange transactions.

Article 8

(1) The authorised currency exchange office shall issue a purchase/sale receipt to each client, upon each purchase of foreign cash or checks denominated in foreign currency from or sale of foreign currency to such client.

(2) In case of cancellation of purchase or sale receipts, a record must be kept of the reason for the cancellation.

(3) When, for legitimate reasons, the authorised currency exchange office cannot use the certified program, such an authorised currency exchange office shall use the pre-printed purchase or sale receipt forms which shall bear pre-printed serial numbers, provided to it by the contractual bank. The contractual bank and the authorised currency exchange office shall keep records of all pre-printed purchase and sale receipt forms supplied and received, respectively, while the authorised currency exchange office shall also keep records of all the pre-printed receipt forms used. The pre-printed purchase and sale receipt forms shall be made in copies. The authorised currency exchange office shall issue the original of the pre-printed purchase or sale receipt form to the client and retain a copy. The authorised currency exchange office shall keep copies of all pre-

printed purchase or sale receipt forms used in the current and the previous calendar year, in a currency exchange outlet where the relevant purchase or sale transaction was conducted.

(4) Company name and identification number of the authorised currency exchange office may be stamped on the pre-printed purchase and sale receipt forms.

(5) After legitimate reasons due to which the authorised currency exchange office could not use computer technology are removed, the authorised currency exchange office shall, using the certified program make electronic entry of the data from the manually entered pre-printed purchase/sale receipt forms, including their serial numbers.

Article 9

(1) The authorised currency exchange office shall only use either the exchange rate list used by the contractual bank or its own exchange rate list, in accordance with the agreement for the conduct of currency exchange transactions.

(2) During the course of one business day, at a single currency exchange outlet, the authorised currency exchange office may use only one exchange rate list.

(3) The buy rate on the exchange rate list of the authorised currency exchange office shall be the exchange rate at which the authorised currency exchange office purchases foreign cash and checks denominated in foreign currency, while the sale rate on the exchange rate list of the authorised currency exchange office shall be the exchange rate at which the authorised currency exchange office sells foreign cash.

(4) Where the authorised currency exchange office conducts purchase transactions involving foreign cash and checks denominated in foreign currency and sale transactions involving foreign cash, such a currency exchange office shall indicate both buy and sell rates on its exchange rate list for all the traded currencies. Where the authorised currency exchange office only engages in transactions involving foreign cash purchases, such a currency exchange office shall indicate on its exchange rate list the buy rate for each currency traded.

(5) The authorised currency exchange office may indicate more favourable buy and sell rates on its exchange rate list in which case the minimum amounts to which such more favourable rates apply shall be indicated. The authorised exchange office shall make customer identification with each foreign cash purchase or sale transaction made at more favourable rates and keep separate records of such transactions.

(6) The most favourable daily sell rate of the authorised currency exchange office for a currency may not equal or be lower than its most favourable daily buy rate for the same currency. The authorised currency exchange office may use the sell rate for foreign currency that is lower than its least favourable buy rate for that same currency only in case of sale of foreign cash to the bank.

(7) The most favourable daily sell rate of the authorised currency exchange office for a foreign currency may not be lower than the buy rate of the contractual bank for cash and checks denominated in foreign currency.

(8) The authorised currency exchange office redeeming foreign cash and checks denominated in foreign currency and selling foreign cash may not charge exchange commission.

Article 10

(1) The authorised currency exchange office may deposit foreign cash to a foreign exchange account and withdraw foreign cash from the foreign exchange account if such cash arises from currency exchange transactions or if intended for the conduct of currency exchange transactions.

(2) The authorised currency exchange office may transfer kuna and foreign cash from the cash desk of one currency exchange outlet to the cash desk of another currency exchange outlet.

(3) The obligation of the exchange office under the agreement to sell, not less than once a month, the entire amount of foreign cash and checks denominated in foreign currency shall not be reduced:

- by the amount of foreign cash deposited in a foreign exchange account or

- by the amount of foreign cash transferred to the cash desk of another currency exchange outlet.

(4) The provision of the second indent of the preceding paragraph shall not apply to authorised currency exchange offices referred to in Article 11, paragraph 2 of this Decision.

(5) The kuna countervalue of foreign cash in a currency exchange outlet which receives foreign cash from another currency exchange outlet shall be recorded in the certified program by means of transaction prescribed by the Instruction for the implementation of this Decision, using the basic buy rate applicable at the currency exchange outlet which is sending the foreign cash, on the day when foreign cash disbursement is registered at the currency exchange outlet which is sending the foreign cash.

(6) In case of transfer of cash referred to in paragraph 2 of this Article, the currency exchange outlet receiving such cash shall have a printed document, produced by means of the certified program, relating to the disbursement of cash from the currency exchange outlet from which cash is being transferred. The printed document shall be signed by the responsible person of the authorised currency exchange office, or a person conducting currency exchange transactions in a currency exchange outlet from which such foreign currency is being transferred.

Article 11

(1) The authorised currency exchange office shall sell the entire amount of the purchased foreign cash and checks denominated in foreign currency, i.e. full foreign cash purchase and sale balance, to its contractual bank within the time limit specified in the agreement for the conduct of currency exchange transactions, not less than once a month.

(2) The authorised currency exchange office with more than one currency exchange outlet which has concluded an agreement for the conduct of currency exchange transactions with only one contractual bank and which sells foreign cash to the contractual bank at a single location in the contractual bank, may sell the consolidated balance between foreign cash purchase and sale transactions of all its currency exchange outlets on the same day, enclosing "Specification of Foreign Cash and Checks Denominated in Foreign Currency" for each currency exchange outlet.

(3) The authorised currency exchange office shall submit to its contractual bank "Specification of Foreign Cash and Checks Denominated in Foreign Currency" with every sale to such bank of foreign cash and checks denominated in foreign currency.

(4) The "Specification of Foreign Cash and Checks Denominated in Foreign Currency" shall also indicate the serial numbers of all purchase/sale receipts (where only purchase and sale balance is sold) used as a basis for compiling the "Specification of Foreign Cash and Checks Denominated in Foreign Currency". The serial numbers of any cancelled purchase/sale receipts shall also be indicated.

(5) The contractual bank shall stamp the "Specification of Foreign Cash and Checks Denominated in Foreign Currency" in acknowledgement of receipt of foreign cash and checks denominated in foreign currency referred to in paragraph 1 of this Article, and shall indicate on the "Specification of Foreign Cash and Checks Denominated in Foreign Currency" the exchange rates used for its purchase from the authorised currency exchange office, the amounts of kuna equivalent paid, and where so agreed in the agreement for the conduct of exchange transactions, the amount of commission paid out. The contractual bank shall return a copy of the stamped "Specification of Foreign Cash and Checks Denominated in Foreign Currency" to the authorised currency exchange office, together with receipts of foreign currency purchases.

Obligations of the contractual bank

Article 12

(1) The contractual bank shall carry out on-site examinations of each currency exchange outlet specified in the agreement for the conduct of currency exchange transactions concluded with an authorised currency exchange office.

(2) On-site examinations referred to in the preceding paragraph shall include examination of compliance by the authorised currency exchange office with its obligations under the agreement for the conduct of currency exchange transactions and its conduct of currency exchange transactions in accordance with the Decision.

(3) The contractual bank shall carry out on-site examinations of the business operations of an authorised currency exchange office not less than twice a year. Where the authorised currency exchange office, pursuant to the agreement for the conduct of currency exchange transactions, conducts currency exchange transactions throughout the year, the minimum interval between individual examinations shall be 3 months and where it conducts currency exchange transactions up to six months in a year, the minimum interval between individual examinations shall be 2 months.

(4) The contractual bank shall carry out at least one on-site examination at the time when the authorised currency exchange office is the busiest.

(5) The contractual bank shall make a report on each examination carried out, which has to be signed by the examiner and the responsible person in the authorised currency exchange office or a person performing currency exchange transactions in a currency exchange outlet.

(6) Should the contractual bank establish that the authorised currency exchange office is not complying with the provisions of the agreement for the conduct of currency exchange transactions or the Decision, a note to that effect shall be made in the report and the time limit shall be set for removal of such irregularities, which may in no case exceed 15 business days from the date of signing the report. One copy of such report shall be submitted by the contractual

bank to the Foreign Exchange Inspectorate of the Ministry of Finance within five business days from the date of completion of on-site examination.

(7) In the case referred to in the preceding paragraph, the contractual bank shall, within 30 days from the date of expiry of the time limit for removal of irregularities, carry out a new on-site examination.

(8) Should the contractual bank, in the course of its new on-site examination establish that irregularities have not been removed, it shall immediately terminate its agreement for the conduct of currency exchange transactions and notify thereof the Foreign Exchange Inspectorate of the Ministry of Finance within three business days from the day of the new on-site examination of the authorised currency exchange office.

(9) The contractual bank shall keep records of all concluded, amended, and terminated agreements with authorised currency exchange offices.

(10) The contractual bank shall inform the Foreign Exchange Inspectorate of the Ministry of Finance about all agreements for the conduct of currency exchange transactions concluded, amended or terminated in the previous calendar month until the 15th day of the current month.

(11) The information referred to in the preceding paragraph shall contain the name of the contractual bank, company name of the authorised currency exchange office, registered office of the currency exchange office, address of the currency exchange outlet/addresses of the currency exchange outlets of the authorised currency exchange office, full name of the responsible person in the authorised currency exchange office and telephone number of the authorised currency exchange office.

(12) Based on "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency" submitted by authorised currency exchange offices, the contractual bank shall, not later than (including) the fifteenth day of the calendar day of the current month, submit to the Croatian National Bank a report entitled "Turnover of Authorised Currency Exchange Offices - Summary Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency", for all authorised currency exchange offices with which it has concluded agreements for the conduct of currency exchange transactions for the previous calendar month.

(13) If the authorised currency exchange office fails to submit to the contractual bank, for two consecutive months during which it conducted currency exchange transactions in accordance with an agreement with a bank, its "Report on Foreign Cash Purchase and Sale Transactions and Redemption of Checks Denominated in Foreign Currency", or if reports for two consecutive months during which it conducted currency exchange transactions in accordance with the agreement for the conduct of currency transactions show zero turnover, the contractual bank shall inform thereof the Foreign Exchange Inspectorate of the Ministry of Finance within ten business days from the expiry of the second consecutive month.

(14) If the authorised currency exchange office fails, for two consecutive months during which it conducts currency exchange transactions in accordance with an agreement with a bank, to act in accordance with Article 11, paragraphs 1 and 3 of this Decision, the contractual bank shall inform thereof the Foreign Exchange Inspectorate of the Ministry of Finance within three business day from expiry of the second consecutive calendar month in which no sale of full balance between foreign cash purchases and sales took place.

(15) The contractual bank shall issue to the authorised currency exchange office a receipt on the purchase of foreign cash and checks denominated in foreign currency.

Transitional and final provisions

Article 13

(3) The Governor of the Croatian National Bank shall issue an Instruction for the implementation of this Decision. Until entry into force of the Instruction for the implementation of this Decision, the "Decision on the conditions and the manner in which authorised exchange offices may conduct exchange transactions" shall apply (Official Gazette 24/2006, 28/2006).

(4) This Decision shall come into force on the eighth day following its publication in the Official Gazette.

(5) As of the date of its effect, this Decision shall repeal the Decision on the conditions and the manner in which authorised exchange offices may conduct exchange transactions (Official Gazette 18/2006).

Decision No. 701/2007

Zagreb, 14 February 2007

CROATIAN NATIONAL BANK
COUNCIL CHAIRMAN
GOVERNOR

Dr Željko Rohatinski, m.p.