CROATIAN PARLIAMENT

2792

Official Gazette 87/08

Based on Article 88 of the Constitution of the Republic of Croatia, I hereby make the

DECISION ON THE
PROMULGATION OF THE ANTI MONEY LAUNDERING AND TERRORIST FINANCING LAW

I hereby promulgate the Anti Money Laundering and Terrorist Financing Law, as passed by the Croatian Parliament in its session held 15 July 2008.
Class: 011-01/08-01/108
Ref. No.: 71-05-03/1-08-2
Zagreb, 18 July 2008.

President of the
Republic of Croatia
Stjepan Mesić, signed

ANTI MONEY LAUNDERING AND TERRORIST FINANCING LAW

CHAPTER I

GENERAL PROVISIONS

Subject Matter of the Law

Article 1

(1) This Law shall prescribe:

1. measures and actions in banking and non-banking financial operations, money-related and other operations taken for the purpose of the prevention and detection of money laundering and terrorist financing;
2. reporting entities subject to this Law obliged to implement the measures and actions;
3. supervision over reporting entities in their implementation of measures and actions in banking and non-banking financial operations, cash and other

operations, which measures and actions shall be taken for the purpose of money laundering and terrorist financing prevention and detection;
4. tasks and jurisdictions of the Anti-Money Laundering Office (hereinafter referred to as the Office) acting as a Financial Intelligence Unit;
5. international co-operation of the Office;
6. jurisdictions and actions of other state bodies and legal persons with public authorities in the detection of money laundering and terrorist financing;
7. other issues of significance for the development of the preventive system within the scope of money laundering and terrorist financing prevention.

(2) The provisions contained in this Law pertinent to the money laundering prevention shall equally adequately apply to the countering of terrorist financing for the purpose of preventing and detecting activities of individuals, legal persons, groups and organisations in relation with terrorist financing.

Basic Terms

Article 2

Basic terms in the context of this Law shall mean as follows:

1) money laundering shall mean the undertaking of actions aimed at concealing the true source of money or other property suspected to have been obtained in an illegal manner in the country or abroad, including:

- conversion or any other transfer of money or other such property;
- the concealment of the true nature, source, location, disposition, movement, ownership or rights with respect to money or other such property;
- the acquisition, possession or use of money or other such property.

2) The terrorist financing shall mean the provision or collection of, as well as an attempt to provide or collect legal or illegal funds by any means, directly or indirectly, with the intention that they should be or in the knowledge that they are to be used, in full or in part, in order to carry out a terrorism offence by a terrorist or by a terrorist organisation.

Meaning of other Terms

Article 3

Other terms in the context of this Law shall have the following meaning:

1. The Office shall be the Anti-Money Laundering Office;
2. Financial Intelligence Unit:

a) the Anti-Money Laundering Office shall be the domestic Financial Intelligence Unit;
b) a foreign financial intelligence unit shall be a central national body in charge of receiving, analysing and disseminating suspicious transactions reports relating to money laundering and financing of terrorism in a member-state or a third country;

3. A member-state shall be a European Union member-state or a state signatory to the European Economic Area Agreement;
4. A third country shall be a European Union non-member state or a state non signatory to the European Economic Area Agreement.
5. Property shall be assets of every kind, whether tangible or intangible, movable or immovable, and documents and instruments in any form, including electronic or digital, evidencing title to or ownership rights in relation to the assets;
6. Funds shall be financial resources and benefits of any kind, including the following:
   (a) cash, cheques, cash claims, bills of exchange, cash remittances and other means of payment;
   (b) fund invested with reporting entities;
   (c) securities as defined in the law providing for the securities market being traded through public or private offers, including shares and stakes, certificates, debt instruments, bonds, guarantees and derived financial instruments;
   (d) other documents evidencing rights over financial resources or other financial sources;
   (e) interest, dividends and other capital gains;
   (f) accounts receivable, loans and letters of credit.
7. Reporting entities shall be legal and natural persons who shall be under obligation to undertake measures and actions for the purpose of preventing and detecting money laundering and terrorist financing in keeping with this Law;
8. An authorised person and his/her deputy shall be persons appointed by the reporting entity, authorised and responsible for implementation of measures and actions being undertaken for the purpose of money laundering and terrorist financing prevention and detection, as prescribed in this Law and regulations passed on the basis of this Law;
9. Persons involved in the performance of professional activities shall be legal and natural persons acting within the framework of their respective professional activities, including lawyers, law firms, notaries public, auditing firms, independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services;
10. Other legal persons, i.e. the entities made equal to them shall be NGOs, endowments and foundations and other legal persons not engaged in an economic activity, as well as religious communities and NGOs without legal personality and other entities without legal personality but appearing autonomously in legal transactions;
11. The electronic money and electronic data carrier shall bear the same meanings as provided for in regulations dealing with electronic operations;

12. The credit institution shall be a notion applicable to the reporting entities referred to

in Article 4, paragraph 2, item 1, 2, 3 and 11 within the same meaning as defined in the law providing for the operations of credit institutions;

13. The financial institution shall be a notion applicable to reporting entities referred to in Article 4, paragraph 2, items 4, 5, 7, 8, 9, 10, 12, 15 a) to i) of this Law and the institutions of member-states dealing with the equal matters as the said reporting entities;
14. A business relationship shall be any business or other contractual relationship a customer establishes or enters into with a reporting entity and in relation to the performance of reporting entity's business activity;
15. Cash referred to in Article 40 of this Law shall be banknotes and coins in circulation as legal means of payment;
16. Cash referred to in Article 74 of this Law shall bear the same meaning as laid down in the Regulation of the European Parliament and of the Council (EC) No.1889/2005 as of 26 October 2005 on controlling cash entering or leaving the European Union;
17. Transaction account or a payment operations conducting account shall bear the same meaning as laid down in the law providing for the payment operations services;
18. A transaction shall be any receipt, outlay, transfer between accounts, conversion, keeping, disposition and other dealings with money or other property with a reporting entity;
19. A cash transaction shall be any transaction in which a reporting entity should receive cash from a customer, i.e. hand over cash to and for customer's possession and disposal;
20. A suspicious transaction shall be any transaction for which the reporting entity and/or a competent body shall deem that there shall be reasons for suspicion of money laundering or terrorist financing in relation to the transaction or a person conducting the transaction, i.e. a transaction suspected to involve resources from illegal activities;
21. Trusts and company service providers shall be any legal or natural person whose business activity shall consist of the provision of some of the services listed hereunder on behalf of third parties:
    (a) foundation of a legal person;
    (b) performing the role of a Chief Executive Officer or a board member or enabling a third party to perform the role of a Chief Executive Officer or a board member, a manager or a partner, while such an undertaking does not involve the actual performance of a managerial function, i.e. such person does not assume business risk in relation to capital interest in the legal person in which the person shall formally be a member or a partner;
    (c) providing a legal person with a registered seat or a rented business, postal or administrative address and other related services;
    (d) performing the role or enabling another person to perform the role of a manager of an institution, a fund or similar legal entity subject to foreign law which receives, manages or distributes economic benefits for a purpose, whereby the definition shall exclude investment and pension funds management companies;
    (e) using or enabling another person to use other people's shares for the purpose of exercising voting rights, except if it includes a company whose securities are being traded on a stock exchange or the regulated public market, for which

disclosure requirements shall be in effect in keeping with the European Union regulations or international standards;

22. Companies performing certain payment operations services, including money transfers, shall be legal persons who perform financial services of receiving cash, cheques or other means of payment at one location and then executing disbursements of an adequate amount of money in cash or other form to a recipient at another location through connecting, notifying, transferring or using a money or values transfer network.
    Transaction being performed via such services may involve one or more intermediaries and final disbursement to a third party;
23. Non-profit organisations shall be associations, endowments, foundations, religious communities and other persons which do not perform economic activity;
24. The notion of a beneficial owner shall stand for:
    (a) a natural person who is the ultimate owner of a customer or who controls or otherwise manages the legal person or other entity (if the customer is a legal person) or
    (b) a natural person who shall control another natural person on whose behalf a transaction is being executed or who performs an activity (if the customer is a natural person);
25. Customer identification shall be a procedure involving:
    a) collection of information on customers on the basis of credible, independent and objective sources, i.e. examining the collected information on customers should the customer information have already been collected earlier;
    b) determining of actual customer identity on the basis of credible, independent and reliable sources, i.e. examining the identicalness thereof, should customer's identity have already been determined earlier.
26. A correspondent relationship shall be a relationship between a domestic credit institution and a foreign credit, i.e. other institution established by the opening of an account of the foreign institution with the domestic credit institution;
27. A shell (virtual) bank shall be a bank, i.e. other credit institution doing identical business activity registered in the country in which it does not perform its business activity and which is not related with a supervised or otherwise controlled financial group;
28. Factoring shall be the repurchase of accounts receivable with or without regress;
29. Forfeiting shall be an export financing on the basis of a discounted and regress free repurchase of long-term outstanding accounts receivable, secured through a financial instrument;
30. An official personal document shall be any public document with a photograph of a person issued by a domestic or a foreign competent public authority intended for establishing person's identity;
31. Stock exchange and the regulated public market notions shall bear the same meaning as laid down in the law providing for capital market;
32. The life insurance business shall be all business undertakings which are defined as such in laws providing for the insurance companies' operations;
33. Information on the activity of a customer who is a natural person shall be information

on private or professional status (employed, pensioner, student, unemployed, etc.), i.e. information on the activity of a customer (in the fields of sports, culture-art, scientific-research, education or other related fields) representing grounds for the creation of a business relationship;

34. Foreign politically exposed persons shall be all natural persons with permanent address or habitual residence in a foreign country who act or have acted during the previous year (or longer) in a prominent public duty, including members of their immediate family or persons known to be close associates of such persons;
35. A money laundering or terrorist financing risk shall be the risk whereby a customer may abuse financial system for money laundering or terrorist financing purpose, i.e. that a business relationship, a transaction or a product shall be directly or indirectly used for money laundering or terrorist financing purposes.

Reporting Entities

Article 4

(1) Measures, actions and procedures for the prevention and detection of money laundering and terrorist financing laid down in this Law shall be carried out before and/or during each transaction, as well as upon entering into legal arrangements aimed at obtaining or using property and in other forms of disposing of monies, rights and other property in other forms which may serve for money laundering and terrorist financing purposes.
(2) Reporting entities obliged to carry out measures and actions referred to in paragraph 1 of this Article shall be:

1. banks, branches of foreign banks and banks from member-states authorised for a direct provision of banking services in the Republic of Croatia;
2. savings banks;
3. housing savings banks;
4. credit unions;
5. companies performing certain payment operations services, including money transfers;
6. Croatian Post Inc.
7. investment funds management companies, business units of third countries management companies, management companies from member-states which have a business unit in the Republic of Croatia, i.e. which are authorised to directly perform funds management business in the territory of the Republic of Croatia and third parties which are allowed, in keeping with the law providing for the funds operation, to be entrusted with certain matters by the respective management company;
8. pension companies;
9. companies authorised to do business with financial instruments and branches of foreign companies dealing with financial instruments in the Republic of Croatia;
10. insurance companies authorised for the performance of life insurance matters,

branches of insurance companies from third countries authorised to perform life insurance matters and insurance companies from member-states which perform life insurance matters directly or via a branch in the Republic of Croatia;

11. companies for the issuance of electronic money, branches of companies for the issuance of electronic money from member-states, branches of companies for the issuance of electronic money from third countries and companies for the issuance of electronic money from member-states authorised to directly render services of issuing electronic money in the Republic of Croatia;
12. authorised exchange offices;
13. organisers of games of chance:
    a) lottery games,
    b) casino games,
    c) betting games,
    d) slot-machine gaming,
    e) games of chance on the Internet and via other telecommunications means, i.e. electronic communications;
14. pawnshops;
15. legal and natural persons performing business in relation to the activities listed hereunder:
    a) giving credits or loans, also including: consumers' credits, mortgage loans, factoring and commercial financing, including forfeiting,
    b) leasing,
    c) payment instruments issuance and management (e.g., credit cards and traveller's cheques),
    d) issuance of guarantees and security instruments,
    e) investment management on behalf of third parties and providing advisory thereof,
    f) rental of safe deposit boxes,
    g) credit dealings intermediation,
    h) insurance agents with entering into life insurance agreements,
    i) insurance intermediation with entering into life insurance agreements,
    j) trusts or company service providers,
    k) trading precious metals and gems and products made of them,
    l) trading artistic items and antiques,
    m) organising or carrying out auctions,
    n) real-estate intermediation.
16. legal and natural persons performing matters within the framework of the following professional activities:
    a) lawyers, law firms and notaries public,
    b) auditing firms and independent auditors,
    c) natural and legal persons performing accountancy and tax advisory services.

(3) Reporting entities referred to in paragraph 2, item 16 of this Article shall carry out measures for the prevention and detection of money laundering and terrorist financing as provided for in this Law in keeping with the provisions governing the tasks and duties of other reporting entities, unless otherwise prescribed in the third chapter of this Law.

(4) The Minister of Finance may issue a rulebook to set terms and conditions under which the reporting entities referred to in paragraph 2 of this Article who perform financial activities only occasionally or within a limited scope and with which there is a negligible money laundering or terrorist financing risk may be excluded from the group of reporting entities obliged to implement measures as per this Law.
(5) Branches of foreign credit and financial institutions and other reporting entities established in the Republic of Croatia as per a law providing for their work, in addition to branches of credit and financial institutions referred to in paragraph 2, items 1, 7, 9, 10, 11 of this Article, shall be reporting entities obliged to implement measures and actions referred to in paragraph 1 of this Article.

Obligation of reporting entities concerning the implementation of money laundering and terrorist financing prevention and detection measures in business units and companies seated in third countries in majority ownership or with predominant decision-making rights exercised by the reporting entities

Article 5

(1) Reporting entities shall be obliged to ensure that money laundering and terrorist financing prevention and detection measures as prescribed by this Law are applied within the equal scope in their business units and companies in their majority ownership or with predominant decision-making rights, seated in a third country, unless such a course of action would be in direct contradiction to the legal regulations of the third country.

(2) Where the legislation of the third country does not permit the application of the money laundering and terrorist financing prevention and detection measures within the scope prescribed by this Law, the reporting entities shall be obliged to inform the Office of the matter without any undue delay and to institute adequate measures for the elimination of the money laundering or terrorist financing risk.

(3) Reporting entities shall be obliged to regularly inform their business units and companies in their majority ownership or in which they shall have predominant decision-making rights, seated in a third country, of internal procedures pertinent to money laundering and terrorist financing prevention and detection, especially in terms of customer due diligence, supply of data and information, keeping records, internal control and other significant circumstance related with the money laundering and terrorist financing prevention and detection.

CHAPTER II
MEASURES TAKEN BY THE REPORTING ENTITIES FOR THE PURPOSE OF MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION AND DETECTION

Section 1
GENERAL PROVISIONS

Reporting Entities Duties

Article 6

(1) For the purpose of money laundering and terrorist financing prevention and detection, the reporting entities shall be obliged to fulfil the duties as provided for in this Law and regulations passed on the basis of this Law during the course of the performance of their regular activities.

(2) The duties referred to in the previous paragraph of this Article shall encompass as follows:

1. assessment of risk of abuse in relation with money laundering and terrorist financing specific to a customer, business relationship, transaction or a product;
2. carrying out customer due diligence measures in the manner and under the conditions provided by this Law;
3. conducting money laundering and terrorist financing prevention and detection measures in business units of the reporting entity and companies in which the reporting entity shall hold majority stake or predominant decision-making rights, which business units and companies shall be seated in third countries;
4. appointment of an authorised person and his/her deputy for implementing measures and ensuring adequate conditions for their work as per this Law and regulations passed on the basis of this Law;
5. enable regular professional training and education of employees of the reporting entities**,** and ensure regular internal audit in the execution of tasks and duties as per this Law and regulations passed on the basis of this Law;
6. produce and regularly update a list of indicators for the detection of customers and suspicious transactions for which there are reasons for suspicion of money laundering or terrorist financing;
7. reporting and supply of the prescribed and required data, information and documentation on transactions and persons to the Office in agreement with the provisions contained in this Law and regulations passed on the basis of this Law;
8. ensure data storage and protection and keeping the prescribed records as per this Law and regulations passed on the basis of this Law;
9. obligation of credit and financial institutions concerning the establishment of an adequate information system relevant for their respective organisational structures

in order to be able to promptly, timely and completely provide the Office with data as to whether or not they shall maintain or have maintained a business relationship with a given natural or legal person, as well as to the nature of such a relationship;

10. carrying out other tasks and duties in keeping with this Law and regulations passed on the basis of the Law.

Assessment of Money Laundering or Terrorist Financing Risks

Article 7

(1) A money laundering or terrorist financing risk shall be the risk whereby a customer may abuse financial system for money laundering or terrorist financing purpose, i.e. that a business relationship, a transaction or a product shall be directly or indirectly used for money laundering or terrorist financing purposes.

(2) Reporting entities shall be obliged to develop a risk analysis and apply it to rate risks of individual groups or types of customers, business relationships, products or transactions in respect of possible abuse relative to money laundering and terrorist financing.

(3) Reporting entities shall undertake to align the risk analysis and assessment referred to in paragraph 2 with the guidelines to be passed by the competent supervisory bodies referred to in Article 83 of this Law in line with the powers vested in them.

(4) During the course of risk analysis and assessment, i.e. the procedure aimed at determining risk rating referred to in paragraph 2 of this Article, the reporting entity and the supervisory body referred to in Article 83 of this Law shall be obliged to take account of the specificities of the reporting entity and its operations, e.g. the reporting entity's size and composition, scope and type of business matters performed, types of customers it deals with and products it offers.

(5) The reporting entities may include only those customers meeting the requirements to be set forth in a rulebook to be passed by the Minister of Finance in the group of customers representing a negligible money laundering or terrorist financing risk.

Section 2
CUSTOMER DUE DILIGENCE

Customer Due Diligence Measures

Article 8

(1) Unless otherwise prescribed in this Law, customer due diligence shall encompass the following measures:

1. identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a credible, reliable and independent source;
2. identifying the beneficial owner of the customer and verifying beneficial owner's identity;
3. obtaining information on the purpose and intended nature of the business relationship or transaction and other data in line with this Law;
4. conducting ongoing monitoring of the business relationship including due scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the reporting entity's knowledge of the customer, the type of business and risk, including, as necessary, information on the source of funds, in which the documents and data available to the reporting entity must be kept up-to-date.

(2) The reporting entities shall be obliged to define the procedures for the implementation of measures referred to in paragraph 1 in their respective internal enactments.

Obligation of Applying Customer Due Diligence Measures

Article 9

(1) Under the conditions laid down in this Law, the reporting entities shall be obliged to conduct customer due diligence in the following cases:

1. when establishing a business relationship with a customer;
2. when carrying out each transaction amounting to HRK 105,000.00 or more, whether the transaction is carried out in a single operation or several transactions which clearly appear to be linked and reaching a total value of HRK 105,000.00 or more;
3. when there are doubts about the credibility and veracity of the previously obtained customer or customer beneficial owner information;
4. in all instances when there are reasons for suspicion of money laundering or terrorist financing in relation to a transaction or a customer, regardless of the transaction value.

(2) With transactions referred to in paragraph 1, item 2 of this Article performed on the basis of a previously established business relationship with the reporting entity, in conducting customer due diligence the reporting entity shall only verify the identity of the customer, i.e. the persons who perform the transaction, and shall collect any missing information as referred to in Article 25, paragraph 2 of this Law.

Customer Due Diligence when Establishing a Business Relationship

Article 10

(1) In establishing a business relationship with a customer, the reporting entities shall be obliged to conduct the measures referred to in Article 8, paragraph 1, items 1, 2 and 3 of this Law before the establishment of the business relationship.

(2) By way of derogation from the provisions of the previous paragraph of this Article, the reporting entities may also conduct the measures referred to in Article 8, paragraph 1, items 1 and 2 of this Law during the establishment of a business relationship with a customer, should it be necessary not to interrupt the usual manner of establishing business relationships and if pursuant to Article 7 of this Law there is a negligible risk of money laundering or terrorist financing.

(3) By way of derogation from the provisions of paragraph 1 of this Article, the reporting entities referred to in Article 4, paragraph 2, item 10 of this Law may when concluding life insurance dealings identify the beneficiary under the insurance policy even after entering into an insurance contract, but no later than before or at the time of payout of the insured amount, i.e. at the point when the insurance right-holder requires the payout of the receipt, announces the intention of obtaining a loan on the basis of the policy, giving it as collateral or capitalising on it.

Customer Due Diligence when Carrying out a Transaction

Article 11

When carrying out transactions referred to in Article 9, paragraph 1, item 2 of this Law, the reporting entities shall be obliged to conduct measures prescribed in Article 8, paragraph 1, items 1, 2 and 3 before the carrying-out of the transaction.

Obligation of Applying Customer Due Diligence Measures by Organisers of Lottery Games, Casino Games, Betting Games, Games of Chance on Slot-Machines and Games of Chance on the Internet or other Telecommunication Means, i.e. Electronic Communications

Article 12

(1) Organisers of casino games shall conduct the measure of identifying the customer and verifying the customer's identity on customer's entry into the casino, collecting the following information:
- name and surname of natural person, permanent address, date and place of birth;
- identification number and name, number and name of the body which issued the identification document;
- date and time of entry into the casino.

(2) With the transaction referred to in Article 9, paragraph 1, item 2 of this Law, the organisers of lottery games, casino games, betting games and games of chance on slot machines shall identify the customer and verify the identity of the customer at the point of performing the transaction at the cash register, collecting the following information:
- name and surname of natural person, permanent address, date and place of birth;
- identification number and name, number and name of the body which issued the identification document;

(3) By way of derogation from the provisions contained in paragraph 2 of this Article, the organiser of lottery games, casino games, betting games and games of chance on slot machines shall be obliged to carry out due diligence measures when there are reasons for suspicion of money laundering or terrorist financing in relation with a customer, product or transaction, even for transactions amounting to HRK 105,000.00 and less on executing the transaction at the cash register.

(4) The establishment of a business relationship referred to in Article 9, paragraph 1, item 1 of this Law shall also include the registration of a customer to take part in the system of organising games of chance with organisers arranging the games of chance on the Internet or other telecommunications means, i.e. electronic communications.

(5) At establishing business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the organiser of games of chance on the Internet or other telecommunications means, i.e. electronic communications, shall collect information referred to in paragraph 2 of this Article.

Refusing a business relationship and the conducting of a transaction

Article 13

(1) The reporting entity which is unable to conduct measures referred to in Article 8, paragraph 1, items 1, 2 and 3 of this Law shall not be allowed to establish a business relationship or to carry out a transaction, i.e. such a reporting entity must terminate the already established business relationship.

(2) In the cases referred to in paragraph 1 of this Article, the reporting entity shall notify the Office of the refusal or termination of a business relationship and the refusal to conduct a transaction with all customer of transaction data collected to date in line with

Article 42 of this Law.

Exemptions from Conducting Due Diligence Measures for Some Products

Article 14

(1) Insurance companies licensed for the performance of life insurance business, the business units of insurance companies from third countries licensed for the performance of life insurance business, insurance companies from member-states which are to establish a business unit in the Republic of Croatia or are authorised to directly perform life insurance business in the Republic of Croatia, pension companies, as well as legal and natural persons performing business or activity of insurance representation or intermediation for entering into life insurance agreements, may be allowed not to conduct the customer due diligence measures under the following circumstances:

1. with contracting life insurance policies in which individual premium instalment or several insurance premium instalments to be paid within one year does not exceed a total kuna equivalent amount of EUR 1,000.00 or in cases when single premium payment does not exceed the kuna equivalent value of EUR 2,500.00;
2. with contracting pension insurances providing that:
    a) types of insurance are being contracted whereby it is not possible to transfer the insurance policy to a third person or use it as collateral for a credit or loan, and
    b) a contract is entered into with a closed-end pension fund if the employer pays the contributions into the voluntary pension fund on behalf of the fund's members.

(2) Companies for the issuance of electronic money, companies for the issuance of electronic money from another member-state and business units of foreign companies for the issuance of electronic money may be allowed not to conduct customer due diligence measures in the following instances:

1. with issuing electronic money, if the single amount of payment executed for the issuance of such a money, on an electronic data carrier which may not be recharged, does not exceed kuna equivalent value totalling EUR 150.00;
2. with issuing electronic money and performing business with it if the total amount of the executed payments, stored on an electronic data carrier which may be recharged, does not exceed kuna equivalent value totalling EUR 2,500.00 during the current calendar year, save for cases in which the holder of electronic money cashes out a kuna equivalent amount of EUR 1,000.00 or more during the same calendar year.

(3) The Minister of Finance may issue a rulebook to prescribe that a reporting entity may be excluded from the obligation of conducting customer due diligence when conducting certain transactions referred to in Article 9, paragraph 1, item 2 of this Law and in respect of other products and transactions associated with them, which shall represent a negligent

money laundering or terrorist financing risk.

(4) By way of derogation from the provisions contained in paragraphs 1, 2 and 3 of this Article, the exclusion from conducting customer due diligence in respect of a customer, product or transaction shall not be allowed when there are reasons for suspicion of money laundering or terrorist financing.

Wire transfers
Article 15

(1) Credit and financial institutions, including companies involved in certain payment operations services or money transfers (hereinafter referred to as the payment service providers) shall be obliged to collect accurate and complete data on the payer and include them in a form or a message accompanying the wire transfer, sent or received in any currency. In doing so, data must follow the transfer at all times throughout the course of the chain of payment.

(2) The Minister of Finance shall issue a rulebook to prescribe content and type of data to be collected on the payer and other obligations of the payment service providers and exceptions from the obligation of collecting data at money transfers representing a negligible money laundering or terrorist financing risk.

(3) The payment service provider, which shall act as intermediaries or cash receivers, shall refuse wire transfers failing to contain complete data on the payer referred to in paragraph 2 of this Article or shall ask for payer data supplement within a given deadline.

(4) The payment service providers may restrict or terminate a business relationship with those payment service providers who frequently fail to meet the requirements referred to in paragraphs 1 and 2 of this Article, with that they may alert them on such a course of action before taking such measures. The payment service provider shall notify the Office of a more permanent restriction or business relationship termination.

(5) The payment service provider, which shall act as intermediaries or cash receivers, shall consider a lack of payer information in relation to the assessed level of risk as a possible reason for implementing enhanced transactions due diligence measures, and shall adequately apply provisions contained in Article 43, paragraphs 2 and 3 of this Law.

(6) The provisions contained in paragraphs 1 to 5 of this Article shall pertain to wire transfers conducted by both domestic and foreign payment service providers.

(7) When gathering data referred to in the Paragraph 1 of this Article, the payment service providers shall identify the payer by using an official identification document, and credible and reliable sources of documentation.

Section 3
CONDUCTING CUSTOMER DUE DILIGENCE MEASURES

Obtaining Information from the Reporting Entities

Article 16

(1) During the course of conducting customer due diligence, the reporting entities referred to in Article 4, paragraph 2 shall obtain the following data:

1. name and surname, permanent address, date of birth, place of birth, personal identification number, name and number of the identification document issuing entity for the following natural persons:
    - natural person and natural person's legal representative, a craftsman or a person involved in carrying out other independent business activity, who shall establish a business relationship or conduct a transaction, i.e. on whose behalf the business relationship is being established or a transaction conducted;
    - legal representative or a person authorised by power of attorney who shall establish a business relationship or conduct a transaction on behalf of the legal person or another legal person and entity made equal to it from Article 21 of this Law;
    - person authorised by poser of attorney requesting or conducting a transaction for a customer;
    - a natural person, a craftsman or a person carrying out other independent business activity, for whom the lawyer, the law firm and the notary public, and the auditing company, the independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services shall conduct business matters;
    - a natural person in relation to whom there shall be reasons for suspicion of money laundering or terrorist financing, which reasons shall be established by a lawyer, a law firm and a notary public, and an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services;
2. name and surname, permanent address, date of birth, place of birth for the following natural persons:
    - natural person approaching a safe deposit box;
    - natural person who is a member of another legal person and an entity related to it as referred to in Article 21 of this Law;
3. name, surname and permanent address for:
    - natural person to whom the transaction shall be intended;
4. name and surname, permanent address, date of birth and place of birth of the beneficial owner;
5. name, seat (street and number, place and country) and business registration number (for a legal person, whereas the registration number is to be included for a craftsman or a person carrying out other independent business activity if such a number has been assigned to such a person) for:

- a legal person establishing a business relationship or conducting a transaction, i.e. a legal person on whose behalf a business relationship is being established or transaction conducted;
- craftsman or a person carrying out other independent business activity;
- a legal person for whom a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services shall conduct business matters;
- a craftsman or a person carrying out other independent business activity for whom a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services shall conduct business matters;
- a legal person in relation to which there shall be reasons for suspicion of money laundering or terrorist financing, which reasons shall be established by a lawyer, a law firm and a notary public, and an auditing firm, an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services;

6. name and seat for:
   - a legal person or a craftsman to whom the transaction shall be intended;
   - other legal persons and entities made equal to them as referred to in Article 21 of this Law
7. information on the purpose and intended nature of the business relationship, including information on customer's business activity;
8. date and time of:
   - establishing a business relationship;
   - approaching a safe deposit box;
9. date and time of conducting a transaction, the transaction amount and currency in which the transaction is being executed, purpose (intention) of the transaction, the manner of transaction execution;
10. information on the source of funds, which are or will be subject matter of a business relationship or a transaction;
11. reasons for suspicion on money laundering or terrorist financing.

(2) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entities shall be obliged to supply for the purposes of due diligence and reporting the Office on transactions.

Sub-section 1
MEASURE OF IDENTIFYING THE CUSTOMER AND VERIFYING THE CUSTOMER'S IDENTITY

Identifying a Natural Person and Verifying the Natural Person's Identity

Article 17

(1) For a customer which is a natural person and natural person's legal representative, and for a customer who is a craftsman or a person involved in the performance of another independent business activity, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of official customer's personal identification document in customer's presence.

(2) Should the reporting entity be unable to collect the prescribed data from the official personal identification document submitted, the missing data shall be collected from other valid public documents submitted by the customer, i.e. directly from the customer.

(3) The reporting entity may identify the customer and verify the customer's identity in cases when the customer is a natural person, i.e. the person's legal representative, a craftsman and a person involved in the performance of other independent business activity in other ways, should the Minister of Finance prescribe so in a rulebook.

(4) In instances in which the customer is a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall collect data defined in Article 16, paragraph 1, item 5 of this Law in keeping with the provisions contained in Article 18 of this Law.

(5) Should the reporting entity have suspicion during the course of identifying the customer and verifying the customer's identity in accordance with the provisions of this Article as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the customer to give a written statement.

Identifying a Legal Person and Verifying the Legal Person's Identity

Article 18

(1) For a customer who is a legal person, the reporting entity shall identify the customer and verify the customer's identity through the collection of data referred to in Article 16, paragraph 1, item 5 of this Law by examining the original or notarised photocopy of documentation from court or other public register presented by the legal person's legal representative or person authorised by power of attorney.

(2) At the time of submission, the documentation referred to in paragraph 1 must not be more than three months old.

(3) The reporting entity may identify the legal person and verify the legal person's identity through the collection of data referred to in Article 16, paragraph 1, item 5 of this Law through a direct examination of court or other public register. On the excerpt

from the register examined, the reporting entity shall put date, time, name and surname of the examiner. The reporting entity shall keep the excerpt from the register in keeping with the provisions of this Law concerning data protection and keeping.

(4) The reporting entity shall collect other data referred to in Article 16, paragraph 1 of this Law, save for data on beneficial owner, through the examination of original or notarised photocopies of documents and other business documentation. Should the documents and documentation referred to be insufficient to enable the collection of all data from Article 16, paragraph 1 of this Law, the reporting entity shall collect the missing data, save for data on beneficial owner, directly from the legal representative or the person authorised by power of attorney.

(5) Should the reporting entity have any suspicion during the course of identifying the legal person and verifying the legal person's identity as to the veracity of data collected or credibility of the documents and other business documentation from which data was collected, the reporting entity is to also require the legal representative or the person authorised by power of attorney to give a written statement prior to the establishment of a business relationship or execution of a transaction.

(6) While verifying customer's identity on the basis of paragraphs 1 and 3 of this Article, the reporting entity must first check the nature of a register from which the reporting entity shall take data for the identity verification purposes.

(7) Should the customer be a legal person performing business activity in the Republic of Croatia through its business unit – a branch, the reporting entity shall identify the foreign legal person and its branch and verify their respective identities.

Identifying a legal person's legal representative and verifying the legal representative's identity

Article 19

(1) The reporting entity shall identify a legal person's legal representative and verify the legal representative's identity through the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through examination of a personal identification document of the legal representative in his/her presence. Should the document be insufficient to enable the collection of all prescribed data, the missing data shall be collected from other valid public document proposed by the customer, i.e. supplied by the legal representative.

(2) Should the reporting entity have any suspicion during the course of identifying the legal representative and verifying the legal representative's identity as to the veracity of the collected data, the reporting entity is to also require the legal representative to give a

written statement.

Identifying a legal or natural person's person authorised by power of attorney and verifying the identity of the person authorised by power of attorney

Article 20

(1) Should a person authorised by power of attorney be establishing a business relationship on behalf of a legal person instead of the legal person's legal representative referred to in Article 19 of this Law, the reporting entity shall identify the person authorised by power of attorney and verify such person's identity by collecting data provided for in Article 16, paragraph 1, item 1 of this Law through the examination of an official personal identification document of the person authorised by power of attorney in his/her presence.

(2) Should the document be insufficient to enable the collection of all prescribed data, the missing data shall be obtained from other valid public document submitted by the person authorised by power of attorney, i.e. directly from this person. The reporting entity shall collect data referred to in Article 16, paragraph 1, item 1 of this Law on the legal representative who issued a power of attorney on behalf of the legal person on the basis of data included in the notarised power of attorney.

(3) Should a person authorised by power of attorney conduct transactions referred to in Article 9, paragraph 1, item 2 of this Law on behalf of a customer who is a legal person, a natural person, a craftsman or a person involved in the performance of other independent business activity, the reporting entity shall identify the person authorised by power of attorney and verify such person's identity via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law.

(4) The reporting entity shall collect data referred to in Article 16, paragraph 1, items 1 and 5 of this Law on the customer on whose behalf the person authorised by power of attorney shall act, which data shall be collected on the basis of the notarised power of attorney.

(5) Should the reporting entity have suspicion during the course of identifying the person authorised by power of attorney and verifying such person's identity as to the veracity of the collected data, the reporting entity is to also require the person's written statement.

Identifying other legal persons and entities made equal to them and verifying their respective identities

Article 21

(1) In cases of NGOs, endowments and foundations and other legal persons who do not

perform economic activity, as well as in cases of religious communities and NGOs without properties of a legal person and other entities without legal personality but independently appearing in legal transactions, the reporting entities shall be obliged to:

1. identify the person authorised to represent, i.e. a representative and verify representative's identity;
2. obtain a power of attorney for representation purposes;
3. collect data referred to in Article 16, paragraph 1, items 1, 2 and 6 of this Law.

(2) The reporting entity shall identify the representative and verify the representative's identity referred to in paragraph 1 of this Article via the collection of data referred to in Article 16, paragraph 1, item 1 of this Law through the examination of an official personal identification document of the representative in his/her presence. Should the document be insufficient to collect all prescribed data, the missing data shall be collected from other valid public document submitted by the representative, i.e. from the representative directly.

(3) The reporting entities shall collect data referred to in Article 16, paragraph 1, item 2 of this Law on each natural person who is a member of an NGO or other entity referred to in paragraph 1 of this Article from a power of attorney issued for representation purposes and submitted by the representative to the reporting entity. Should the authorisation be insufficient to enable the collection of all data referred to in Article 16, paragraph 1, item 2 of this Law, the missing data shall be collected from the representative directly.

(4) Should the reporting entity have suspicion during the course of identifying the person referred to in paragraph 1 of this Article and verifying such person's identity as to the veracity of the collected data or the credibility of documents from which data was collected, the reporting entity must also require the representative to give a written statement before the establishment of a business relationship or the execution of a transaction.

Special Customer Identification and Identity Verification Cases

Article 22

(1) For the purpose of implementing the provisions contained in Article 9 of this Law, identity of customers also must be established and verified on each customer's use of a safe deposit box.

(2) During the course of identifying customers on the basis of paragraph 1 of this Article and verifying such customers' identity, the reporting entity involved in business activity of safekeeping items in safe deposit boxes shall collect data referred to in Article 16, paragraph 1, item 2 of this Law.

(3) The provisions contained in this Article in respect of the obligation to identify a customer when using a safe deposit box shall pertain to all natural persons who actually

use the safe deposit box, regardless of whether such a person is the actual user of the safe deposit box as per the safe deposit box use contract or such a person's legal representative or person authorised by power of attorney.

Sub-section 2
THE BENEFICIAL OWNER IDENTIFICATION MEASURE

Customer's Beneficial Owner

Article 23

(1) The beneficial owner shall be:

1. with legal persons, branches, representative offices and other entities subject to domestic and foreign law made equal with a legal person:
   - the natural person who ultimately owns or controls a legal entity through direct or indirect ownership or a natural person who controls a sufficient percentage of shares of voting rights in that legal person, and a percentage of 25 per cent plus one share shall be deemed sufficient to meet this requirement,
   - a natural person who otherwise exercises control over management of a legal person;
2. with legal persons, such as endowments and legal transactions such as trust dealings which administer and distribute monies:
   - where the future beneficiaries have already been determined, the natural person who is the beneficial owner of 25% or more of the property rights of the legal transaction,
   - where natural or legal persons who will benefit from the legal transactions have yet to be determined, the persons in whose main interest the legal transaction or legal person is set up or operates;
   - natural person who exercises control over 25% or more of the property rights of the legal transaction.

3. a natural person who shall control another natural person on whose behalf a transaction is being conducted or an activity performed.

Identifying Customer's Beneficial Owner

Article 24

(1) The reporting entity shall identify customer's beneficial owner which shall be a legal person, a representative office, a branch, another entity subject to domestic or foreign law made equal with a legal person through the collection of data prescribed in Article 16, paragraph 1, item 4 of this Law.

(2) The reporting entity shall collect data referred to in paragraph 1 of this Article through the examination of the original or notarised documents from a court or other public register, which may not be more than three months old.

(3) The reporting entity may collect data referred to in paragraph 1 of this Article also through direct examination of court or other public register while taking account of the provisions contained in Article 18, paragraphs 3 and 5 of this Law.

(4) Should the court or other public register be insufficient to enable the collection of data on customer's beneficial owner, the reporting entity shall collect the missing data through the examination of the original or notarised documents and other business documentation supplied to the reporting entity by the legal representative or person authorised by power of attorney.

(5) Should it arise that the missing data for objective reasons cannot be collected in the manner set forth in paragraphs 2, 3 and 4 of this Article, the reporting entity shall collect data directly from a written statement given by the customer's legal representative or the person authorised by power of attorney as referred to in paragraph 1 of this Article.

(6) The reporting entity must collect data on the ultimate beneficial owner of a customer referred to in paragraph 1 of this Article. The reporting entity shall check the collected data in the manner that enables the reporting entity to have knowledge of the ownership structure and control of the customer to an extent that meets the criterion of satisfactory knowledge of beneficial owners, depending on risk assessment.

Sub-section 3
MEASURE OF COLLECTING INFORMATION ON THE PURPOSE AND INTENDED NATURE OF THE BUSINESS RELATIONSHIP OR TRANSACTION, AND OTHER INFORMATION AS PER THIS LAW

Data collection

Article 25

(1) Within the framework of customer due diligence during the course of establishing a business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the reporting entity shall collect information referred to in Article 16, paragraph 1, items 1, 4, 5, 7 and 8 of this Law.

(2) Within the framework of customer due diligence with each transaction totalling HRK 105,000.00 and more, regardless of whether the transaction is made as a single operation or as several transactions which clearly appear to linked as referred to in Article 9,

paragraph 1, item 2 of this Law, the reporting entity shall collect information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6 and 9 of this Law.

(3) Within the framework of customer due diligence in instances when there is suspicion as to the credibility and veracity of the previously collected information on customers or the beneficial owner, and in all instances when there are reasons to have suspicion of money laundering or terrorist financing associated with a transaction or a customer as referred to in Article 9, paragraph 1, items 3 and 4 of this Law, the reporting entity shall collect information referred to in Article 16, paragraph 1 of this Law.

Sub-section 4
MEASURE OF THE BUSINESS RELATIONSHIP MONITORING

Measure of Ongoing Monitoring of the Business Relationship

Article 26

(1) The reporting entity shall be obliged to exercise due care in monitoring of business activity the customer shall conduct with the reporting entity, thereby ensuring the knowledge of the customer, including the knowledge of the source of funds at customer's disposal for doing business.

(2) The reporting entity shall be obliged to monitor business activities conducted by the customer with the reporting entity through the application of the following measures:

1. monitoring and scrutinising the compliance of customer's business with the intended nature and purpose of the business relationship the customer had established with the reporting entity;
2. monitoring and scrutinising the compliance of sources of funds with the intended source of funds the customer had indicated at the establishment of the business relationship with the reporting entity;
3. monitoring and scrutinising the compliance of customer's operations or transactions with the customer's usual scope of business operation or transactions;
4. monitoring and updating the collected documents and information on customers, including the carrying out of repeated annual customer due diligence in instances set forth in Article 27 of this Law.

(3) The reporting entity shall be obliged to ensure that the scope, i.e. the frequency of conducting measures referred to in paragraph 2 of this Article be adapted to the money laundering or terrorist financing risk to which the reporting entity shall be exposed during the course of conducting individual business undertakings, i.e. during the course of doing business with individual customers, in keeping with the provisions contained in Article 7 of this Law.

Repeated Annual Foreign Legal Person Due Diligence

Article 27

(1) Should a foreign legal person have a business relationship established or conduct transactions referred to in Article 9, paragraph 1, items 1 and 2 of this Law with a reporting entity, the reporting entity shall, in addition to the application of business activities monitoring measures laid down in Article 26 of this Law, be obliged to regularly at least once a year, and no later than after the expiration of one year since the last customer due diligence had been conducted, conduct the repeated annual foreign legal person due diligence.

(2) By way of derogation from the provisions contained in paragraph 1 of this Article, the reporting entity shall be obliged to regularly at least once a year, and no later than after the expiration of one year since the last customer due diligence had been conducted, carry out a repeated customer due diligence also when the customer, conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law, shall be a legal person seated in the Republic of Croatia and with 25% and greater ownership stake held by:

1. a foreign legal person which does not perform or is not allowed to perform trading, production or other activities in the domicile country of registration;
2. a trust or other similar foreign law company with unknown, i.e. hidden owners, secret investors or managers.

(3) The repeated customer due diligence referred to in paragraphs 1 and 2 of this Article shall encompass:

1. gathering and scrutinising information on the name, address and seat of the foreign legal person from paragraphs 1 and 2 of this Article;
2. gathering and scrutinising information on the name, surname and permanent address of the foreign legal person's legal representative from paragraphs 1 and 2 of this Article;
3. gathering and scrutinising information on the beneficial owner of the foreign legal person from paragraphs 1 and 2 of this Article;
4. obtaining a new power of attorney referred to in Article 20, paragraph 4 of this Law.

(4) With the execution of transactions referred to in Article 9, paragraph 1, item 2 of this Law on behalf and for the account of a foreign legal person, i.e. its business unit, a branch or a representative office conducting the transactions with the reporting entity, the reporting entity shall gather information listed hereunder during the course of the repeated foreign legal person due diligence, in addition to the information set forth in paragraph 3 of this Article:

1. information on the address and seat of the foreign legal person's business unit;
2. information on name, surname and permanent address of the foreign legal person's business unit's legal representative.

(5) The reporting entity shall gather information referred to in paragraph 3, items 1, 2 and 3 of this Article via the examination of the original or notarised photocopies of documentation from court or other public register which documentation may not be more than three months old, i.e. via a direct examination of the court or other public register.

(6) Should the manner described in paragraph 5 of this Article be insufficient to allow the collection of all required information, the reporting entity shall collect the missing information from the original or notarised photocopies of documents and other business documentation supplied to the reporting entity by the foreign legal person referred to in paragraphs 1 and 2 of this Article.

(7) Should the missing information may not be collected in the prescribed manner for objective reasons, the reporting entity shall collect such information directly from a written statement given by the foreign legal person's legal representative referred to in paragraphs 1 and 2 of this Article.

(8) The reporting entity shall not be permitted to conduct transactions for a customer for which the reporting entity has not conducted or failed in conducting the repeated annual customer due diligence in keeping with this Article.

(9) By way of derogation from the provisions contained in paragraph 1 of this Article, the repeated annual foreign legal person due diligence shall not be required if the foreign legal person is a reporting entity referred to in Article 35, paragraph 1 of this Law.

Section 4
CUSTOMER DUE DILIGENCE THROUGH THIRD PERSONS

Entrusting a Third Party with Conducting Due Diligence

Article 28

(1) Under the conditions provided for in this Law, at establishing business relationship with a customer the reporting entity may entrust a third party with identifying the customer and verifying the customer's identity, identifying the beneficial owner of the customer, collecting information on the purpose and intended nature of the business relationship or a transaction in keeping with Article 8, paragraph 1, items 1, 2 and 3 of this Law.

(2) The reporting entity must first check whether or not the third party who shall be entrusted with the conducting of customer due diligence measures meets all requirements prescribed by this Law.

(3) The reporting entity shall not be permitted to accept customer due diligence conducted by a third party on behalf of the reporting entity as adequate, if the third party

conducted the identification and identity verification measure within the due diligence exercise without customer's presence.

(4) Should it arise that a third person conducted customer due diligence *in lieu* of the reporting entity, such person shall also be accountable for meeting the obligations as per this Law, including the obligation of reporting on transactions in relation to which suspicion of money laundering or terrorist financing shall exist and the obligation of keeping data and documentation.

(5) The responsibility for conducting due diligence measures entrusted with a third party shall still rest with the reporting entity.

(6) The Minister of Finance shall prescribe in a rulebook who may be a third person, terms and conditions under which the reporting entities shall be allowed to entrust the conducting of customer due diligence with a third person, the manner in which the reporting entities shall be enabled to obtain data and documentation prescribed in this Law from a third person, and instances in which the reporting entities shall not be permitted to entrust a third person with conducting customer due diligence.

Section 5
SPECIAL FORMS OF CUSTOMER DUE DILIGENCE

General Provisions

Article 29

(1) Customer due diligence shall as a rule be conducted in keeping with the provisions contained in Article 8, paragraph 1 of this Law, whereas special forms of customer due diligence shall be carried out for cases defined by this Law, including:

1. enhanced customer due diligence;
2. simplified customer due diligence.

Sub-section 1
ENHANCED CUSTOMER DUE DILIGENCE

General Provisions

Article 30

(1) In addition to the measures referred to in Article 8, paragraph 1 of this Law, enhanced customer due diligence shall include additional measures provided for by this Law for the cases as follows:

1. the establishment of a correspondent relationship with a bank or other similar

credit institution seated in a third country;
2. the establishment of a business relationship or the conducting of a transaction referred to in Article 9, paragraph 1, items 1 and 2 of this Law with a customer who is a politically exposed person as referred to in Article 32 of this Law;
3. in instances when the customer was not present in person during identification and identity verification of the person during the course of due diligence measures implementation.

(2) The reporting entity shall be obliged to conduct enhanced customer due diligence in all instances covered in paragraph 1 of this Article.

(3) The reporting entity may apply an enhanced customer due diligence measure or measures in other circumstances when it shall deem in accordance with the provisions of Article 7 of this Law that there shall exist or might exist a great degree of money laundering or terrorist financing risk, due to the nature of the business relationship, the form and manner of transaction execution, business profile of the customer or other circumstances associated with the customer.

Correspondent Relationships with Credit Institutions from Third Countries

Article 31

(1) At establishing a correspondent relationship with a bank or other credit institution seated in a third country, the reporting entity shall be obliged to conduct measures referred to in Article 8, paragraph 1 within the framework of enhanced customer due diligence and additionally gather the following data, information and documentation:

1. date of issuance and validity period of license for the performance of banking services, as well as the name and seat of the competent third country license issuing body;
2. description of the implementation of internal procedures relative to money laundering and terrorist financing prevention and detection, notably the procedures of customer identify verification, beneficial owners identification, reporting the competent bodies on suspicious transactions and customers, keeping records, internal audit and other procedures the respective bank, i.e. other credit institution passed in relation with money laundering and terrorist financing prevention and detection;
3. description of the systemic arrangements in the field of money laundering and terrorist financing prevention and detection in effect in the third country in which the bank or other credit institution has its seat or in which it was registered;
4. a written statement confirming that the bank or other credit institution does not operate as a shell bank;
5. a written statement confirming that the bank or other credit institution neither has business relationships with shell banks established nor does it establish

relationships or conduct transactions with shell banks;

6. a written statement confirming that the bank or other credit institution falls under the scope of legal supervision in the country of their seat or registration, and that they are obliged to apply legal and other regulations in the field of money laundering and terrorist financing prevention and detection in keeping with the effective laws of the country.

(2) A reporting entity's employee involved in establishing correspondent relationships referred to in paragraph 1 of this Article and running the enhanced customer due diligence procedure shall be obliged to obtain a written consent from the superior responsible person of the reporting entity prior to the establishment of the business relationship.

(3) The reporting entity shall gather data referred in paragraph 1 of this Article through the examination of public or other available records, i.e. through the examination of documents and business documentation supplied by a bank or other credit institution seated in a third country.

(4) The reporting entity shall not be permitted to establish or to extend a correspondent relationship with a bank or other credit institution seated in a third country should:

1. the reporting entity fail to first gather data referred to in paragraph 1, items 1, 2, 4, 5 and 6 of this Article;
2. the employee fail to first obtain written consent from the superior responsible person of the reporting entity for the purposes of establishing a correspondent relationship;
3. the bank or other credit institution seated in a third country be without a money laundering and terrorist financing prevention and detection system in place or if the laws of the third country in which the said institutions shall be seated or registered shall not require the institutions to apply legal and other adequate regulations in the field of money laundering and terrorist financing prevention and detection;
4. the bank or other credit institution seated in a third country operate as a shell bank, i.e. if it establishes correspondent or other business relationships and conducts transactions with shell banks.

Foreign Politically Exposed Persons

Article 32

(1) The reporting entities shall be obliged to apply an adequate procedure to determine whether or not a customer is a foreign politically exposed person.

(2) The procedure referred to in paragraph 1 shall be defined through an internal reporting entity's enactment taking account of guidelines given by the competent

supervisory body referred to in Article 83 of this Law.

(3) A foreign politically exposed person referred to in paragraph 1 of this Article shall be any natural person with permanent address or habitual residence in a foreign country who shall act or had acted during the previous year (or years) at a prominent public function, including their immediate family members, or persons known to be close associates of such persons.

(4) Natural persons who shall act or had acted at a prominent public function shall be:

a) presidents of countries, prime ministers, ministers and their deputies or assistants;
b) elected representatives of legislative bodies;
c) judges of supreme, constitutional and other high courts against whose verdicts, save for exceptional cases, legal remedies may not be applied;
d) judges of financial courts and members of central bank councils;
e) foreign ambassadors, consuls and high ranking officers of armed forces;
f) members of management and supervisory boards in government-owned or majority government-owned legal persons.

(5) The immediate family members referred to in paragraph 3 of this Article shall be: spouses or common-law partners, parents, siblings, as well as children and their spouses or common-law partners.

(6) The close associate referred to in paragraph 3 of this Article shall be any natural person who shall share common profits from property or an established business relationship, or a person with which the person referred to in paragraph 3 of this Article shall have any other close business contacts.

(7) Should the customer who shall establish a business relationship or conduct a transaction, i.e. should the customer on whose behalf the business relationship is being established or the transaction conducted be a foreign politically exposed person, the reporting entity shall in addition to the measures referred to in Article 8, paragraph 1 of this Law also take actions listed hereunder within the framework of the enhanced customer due diligence:

1. gather data on the source of funds and property which are or will be the subject matter of the business relationship or transaction, from documents and other documentation supplied by the customer. Should it be impossible to collect data in the described manner, the reporting entity shall collect data directly from a customer's written statement;
2. an employee of the reporting entity who shall run the procedure of business relationship establishment with a customer who is a foreign politically exposed person shall mandatorily obtain written consent from the superior responsible person before establishing such a relationship;
3. after the establishment of the business relationship, the reporting entity shall exercise due care in monitoring transactions and other business activities performed by a foreign politically exposed person with the reporting entity.

Customer's Absence during Identification and Identity Verification

Article 33

(1) If the customer was not physically present with the reporting entity during the identification and identity verification, in addition to the measures referred to in Article 8, paragraph 1 of this Law, the reporting entity shall be obliged to conduct one or more additional measures referred to in paragraph 2 of this Article within the framework of the enhanced customer due diligence.

(2) At customer identification and identity verification as referred to in paragraph 1 of this Article, the reporting entity shall be obliged to apply the following supplementary enhanced due diligence measures:

1. collect additional documents, data or information on the basis of which the customer's identity shall be verified;
2. additionally verify the submitted documents or additionally certify them by a foreign credit or financial institution referred to in Article 3, items 12 and 13 of this Law;
3. apply a measure whereby the first payment within the business activity is carried out through an account opened in the customer's name with the given credit institution.

(3) The establishment of a business relationship without physical presence of the customer shall not be permitted, unless the reporting entity shall apply the measure set forth in paragraph 2, item 3 of this Article.

New technologies

Article 34

(1) Credit and financial institutions shall be obliged to pay a special attention to any money laundering and/or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banking, ATM use, tele-banking, etc.) and put policies in place and take measures aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes.

(2) Credit and financial institutions shall be obliged to have policies and procedures in place for risks attached with a business relationship or transactions with non face to face customers and to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures, respecting the measures set forth in Article 33 of this Law

Sub-section 2
SIMPLIFIED CUSTOMER DUE DILIGENCE

General Provisions

Article 35

(1) By way of derogation from the provisions contained in Article 8, paragraph 1 of this Law, the reporting entities may at establishing the business relationship and at conducting transactions referred to in Article 9, paragraph 1, items 1 and 2 of this Law, except in instances when there are reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction, conduct a simplified customer due diligence, if the customer is:

1. reporting entity referred to in Article 4, paragraph 2, items 1, 2, 3, 6, 7, 8, 9 and 10 of this Law or other equivalent institutions under the condition that such an institution shall be seated in a member-state or a third country;
2. state bodies, local and regional self-government bodies, public agencies, public funds, public institutes or chambers;
3. companies whose securities have been accepted and traded on the stock exchanges or the regulated public market in one or several member-states in line with the provisions in force in the European Union, i.e. companies seated in a third country whose securities have been accepted and traded on the stock exchanges or the regulated public market in a member-country or a third country, under the condition that the third country have the disclosure requirements in effect in line with the legal regulations in the European Union;
4. persons referred to in Article 7, paragraph 5 of this Law for which a negligent money laundering or terrorist financing risk shall exist.

(2) By way of derogation from the provisions contained in paragraph 1 of this Article, a reporting entity establishing a correspondent relationship with a bank or other credit institution seated in a third country shall conduct the enhanced customer due diligence in keeping with the provisions contained in Article 30, paragraph 1, item 1 of this Law.

Gathering and Verifying Customer Information

Article 36

(1) By way of derogation from the provisions contained in Article 8, paragraph 1 of this Law, the simplified customer due diligence referred to in Article 35 paragraph 1 of this Law shall encompass gathering and verifying certain data on the customer, business relationship and transaction.

(2) Within the framework of the simplified customer due diligence, the reporting entities

shall be obliged to gather the following data:
1. at establishing a business relationship referred to in Article 9, paragraph 1, item 1 of this Law:
- name, address, seat and business registration number of the legal person establishing the business relationship, i.e. the legal person on whose behalf the business relationship is being established;
- name and surname of the legal representative or a person authorised by power of attorney who establishes business relationship on behalf of the legal person;
- purpose and intended nature of the business relationship and date of the relationship establishment;

2. at conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law:
- name, address, seat and business registration number of the legal person for whom a transaction is being conducted;
- name and surname of the legal representative or a person authorised by power of attorney who conducts the transaction on behalf of the legal person;
- date and time of transaction execution;
- transaction amount and currency in which the transaction is being executed;
- manner of transaction execution;
- purpose of the transaction;
- name and seat of a legal person to whom the transaction is intended.

(3) The reporting entity shall gather information referred to in paragraph 2 of this Article through examination of original or notarised photocopies of excerpts from a court of other public register supplied to the reporting entity by the customer, i.e. through a direct examination of a court or other public register

(4) Should the manner described in paragraph 3 of this Article be insufficient to enable the collection of all required data, the reporting entity shall gather the missing data from the documents and other business documentation submitted or supplied by the customer to the reporting entity. If for objective reasons the missing data cannot be obtained in such a manner either, the reporting entity shall gather data on the basis of a written statement given by the customer's legal representative.

(5) Documentation referred to in paragraphs 3 and 4 of this Article must not be more than three months old at the submission to the reporting entity.

Section 6
LIMITATIONS IN DOING BUSINESS WITH CUSTOMERS

Prohibition of the Use of Anonymous Products

Article 37

The reporting entities shall not be allowed to open, issue or keep anonymous accounts, coded or bearer passbooks for customers, i.e. other anonymous products which would

indirectly or directly enable the concealment of customer's identity.

Prohibition of Doing Business with Shell Banks

Article 38

The reporting entities shall be prohibited from establishing or continuing correspondent relationships with a bank which operate or could operate as a shell bank or with other similar credit institutions known to enter into agreements on opening and keeping accounts with shell banks.

Restrictions in Cash Operations

Article 39

(1) In the Republic of Croatia, cash collections exceeding the amount of HRK 105,000.00 or in the arrangements with non-residents valued in excess of EUR 15,000.00, shall not be permitted at:

- selling goods and rendering services;
- sales of real-estate;
- receiving loans;
- selling negotiable securities or stakes.

(2) The limitation of receiving cash payments referred to in paragraph 1 of this Article shall also be in effect in instances when the payment with the said transaction shall be conducted in several interrelated cash transactions jointly exceeding HRK 105,000.00, i.e. a value of EUR 15,000.00.

(3) The cash collection limitation shall pertain to all legal and natural persons who shall receive cash through the said transactions during the performance of their registered business activities.

(4) The collections exceeding the amounts prescribed in paragraphs 1 and 2 of this Article must be conducted via non-cash means through a bank account, unless provided for otherwise in another law.

Section 7
REPORTING TRANSACTIONS TO THE OFFICE

Cash Transactions Reporting Requirement and Deadlines

Article 40

(1) The reporting entities shall be obliged to report the Office on each transaction being conducted in cash totalling HRK 200,000.00 and more immediately, and no lather than within three days upon the execution of the transaction.

(2) When reporting the Office on a cash transaction, the reporting entities shall undertake to supply data referred to in Article 16, paragraph 1, items 1, 3, 5, 6 and 9 of this Law in the manner to be prescribed by the Minister of Finance in a rulebook.

(3) The Minister of Finance may issue a rulebook to also prescribe additional data the reporting entity shall undertake to obtain for the purpose of reporting the Office on cash transactions.

(4) The Minister of Finance may issue a rulebook to prescribe the conditions under which the reporting entities for certain customers shall not be obliged to supply the Office with data on cash transactions referred to in paragraph 1 of this Article.

Obligation concerning the production of a list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist

Article 41

(1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to produce a list of indicators for the detection of suspicious transactions and customers in relation with which reasons for suspicion of money laundering or terrorist financing shall exist.

(2) During the course of production of the list of indicators referred to in the previous paragraph of this Article, the reporting entities shall first of all take account of the specific features to their respective operations and the characteristics of a suspicious transaction referred to in Article 42, paragraph 7 of this Law.

(3) During the course of determining the reasons for suspicion of money laundering or terrorist financing and other circumstances thereof, the reporting entities shall be obliged to use the list of indicators referred to in paragraph 1 of this Article as basic guidelines for determining the reasons for suspicion of money laundering and terrorist financing.

(4) The list of indicators referred to in paragraph 1 of this Article shall be an integral part of the reporting entity’s internal enactments, and the reporting entities shall be obliged to upgrade and adapt the list in accordance with the money laundering trends and typologies known to them, as well as with circumstances stemming from the operations of the given reporting entity.

(5) The Office, the Financial Inspectorate, the Tax Administration, the Croatian National Bank, the Croatian Financial Services Supervision Agency, the Croatian Chamber of Notaries Public, the Croatian Bar Association, the Croatian Tax Advisors Chamber, and associations and societies whose members shall be obliged to observe this Law shall cooperate with the reporting entities for the purpose of producing the list of indicators referred to in paragraph 1 of this Article.

(6) The Minister of Finance may issue a special rulebook to prescribe mandatory inclusion of individual indicators into the list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist.

Requirement and Deadlines for Reporting on Suspicious Transactions and Persons

Article 42

(1) The reporting entities shall be obliged to refrain from the conducting of a transaction for which the reporting entity shall know or suspect to be connected with money laundering, i.e. terrorist financing. The reporting entity shall be obliged to notify the Office on such a transaction without any undue delay before the transaction execution, and to indicate in the report the reasons for suspicion of money laundering or terrorist financing, as well as the deadline within which the transaction is to be conducted.

(2) The reporting entity shall be obliged to notify the Office of the intention or plan to conduct the suspicious transaction referred to in paragraph 1 of this Article notwithstanding of whether or not the transaction was subsequently conducted.

(3) Exceptionally, if the reporting entity was not in position to notify the Office of the suspicious transaction before its execution in instances referred to in paragraphs 1 and 2 of this Article due to the nature of the transaction or due to the fact that the transaction was not executed or for other justified reasons, the reporting entity shall be obliged to report the Office subsequently, and no later than the next business day. The suspicious transaction report is to substantiate the reasons for which the reporting entity was objectively unable to comply with what was prescribed.

(4) The reporting entities must supply the Office with the suspicious transaction reports containing data as referred to in Article 16, paragraph 1 of this Law by phone, fax or in other adequate manner before the conducting of a transaction, and after the conducting of transaction in the manner to be prescribed by the Minister of Finance in a rulebook. Should reporting entities fail to supply a written suspicious transaction report, they shall do so subsequently, and no later than next business day. The reporting entity and the Office are to produce a note on a report which was not supplied in writing.

(5) In the report referred to in the previous paragraph of this Article, the reporting entities shall undertake to indicate and substantiate the reasons referred to in paragraph 7,

items 1, 2, 3 and 4 of this Article which shall point to the existence of reasons for suspicion of money laundering or terrorist financing in relation with a transaction or a customer.

(6) The Minister of Finance may issue a rulebook to prescribe additional data the reporting entity shall undertake to supply for the purpose of reporting the Office on suspicious transactions.

(7) The suspicious transaction referred to in paragraphs 1 and 2 of this Article shall be any attempted or conducted cash and non-cash transaction, irrespective of the value and the execution manner, if the reporting entity shall know, suspect or have grounds to suspect that:

1. the transaction involves funds stemming from illegal activities or is linked with terrorist financing given the ownership, nature, source, location or control of such funds;
2. the transaction by its properties associated with the status or other characteristics of customers or funds or other properties shall clearly diverge from the usual transactions of the same customer and which shall match the necessary number and type of indicators pointing to the existence of reasons for suspicion of money laundering and terrorist financing;
3. the transaction is intended to avoid regulations providing for money laundering or terrorist financing prevention measures;
4. in all instances when the reporting entity judges that there shall be reasons for suspicion of money laundering and terrorist financing in relation with a transaction or a customer.

Complex and Unusual Transactions

Article 43

(1) The reporting entities shall be obliged to pay a special attention to all complex and unusually large transaction, as well as to each unusual form of transactions without an apparent economic or visible lawful purpose even in instances when reasons for suspicion of money laundering or terrorist financing have not yet been detected in relation to such transactions.

(2) Concerning the transactions referred to in paragraph 1 of this Article, the reporting entities shall be obliged to analyse the background and purpose of such transactions, and to make a written record of the analysis results to be available at the request of the Office and other supervisory bodies referred to in Article 83 of this Law.

(3) By way of derogation from the provisions contained in paragraphs 1 and 2 of this Article, should the reporting entities detect suspicion of money laundering or terrorist financing they shall be obliged to observe the provisions of Article 42of this Law.

Section 8
AUTHORISED PERSON, TRAINING AND INTERNAL AUDIT

Authorised Person and his/her Deputy

Article 44

(1) The authorised person and his/her deputy shall be persons appointed by the reporting entity responsible for carrying out measures and actions undertaken for the purpose of money laundering and terrorist financing prevention and detection as prescribed by this law and regulations passed on the basis of this Law.

(2) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall be obliged to appoint one authorised person and one or more authorised person's deputies, and to inform the Office thereof immediately and no later than within 7 days after the appointment, i.e. change of data on the authorised person.

(3) Should the reporting entity referred to in Article 4, paragraph 2 of this Law fail to appoint an authorised person, the reporting entity's legal representative or other person in charge or running the arrangements of the reporting entity, i.e. the reporting entity's compliance officer as per legal regulations shall be deemed the authorised person.

Requirements for the Authorised Person and the Deputy

Article 45

(1) The reporting entity referred to in Article 4, paragraph 2, items 1-15 of this Law must ensure that the matters falling under the remit of the authorised person and the authorised person's deputy referred to in Article 44 of this Law be performed solely by persons who shall meet the following requirements:

- the person shall be employed at a position which was systematised within the organisational structure at such a level to enable the person execute the tasks prescribed by this Law and regulations passed on the basis of this Law in a quick, quality and timely fashion, as well as the independence in his/her work and direct communication with management;
- the person shall not be under a criminal proceeding, i.e. the person was not sentenced for an offence against the values protected by the international law, safety of payment operations and arrangements, credibility of documents, against property and the official duty for the period of 5 years upon the effectiveness of the sentence imposed on the person, with that the servitude time shall not be included in the said period;
- the person shall be adequately professionally trained to carry out tasks in the field of money laundering and terrorist financing prevention and detection and

shall possess the capabilities and experience necessary for the performance of the authorised person's function;
- the person is well familiar with the nature of reporting entities' operations in the fields exposed to money laundering or terrorist financing risk.

Duties of the Authorised Person and the Deputy

Article 46

(1) The authorised person and the deputy referred to in Article 44 of this Law shall be authorised to carry out all measures and actions prescribed in this Law, notably as follows:

1. catering for the establishment, operation and the development of the money laundering and terrorist financing prevention and detection system within the reporting entity;
2. catering for a regular and timely provision of data to the Office in keeping with this Law and the regulations passed on the basis of this Law;
3. partaking in the design of operational procedures and amendments thereof and in the production of reporting entity's internal enactments applicable to money laundering and terrorist financing prevention and detection;
4. partaking in the production of guidelines for carrying out internal audits relative to money laundering and terrorist financing prevention and detection;
5. monitoring and coordinating the activities of the reporting entity in the field of money laundering and terrorist financing prevention and detection;
6. partaking in the establishment and development of IT support for carrying out activities in the field of money laundering and terrorist financing prevention and detection with the reporting entity;
7. encouraging management board or other managerial body of the reporting entity and making suggestions for improving the money laundering and terrorist financing prevention and detection system with the reporting entity;
8. partaking in producing the professional improvement and training programme for employees of the reporting entity in the field of money laundering and terrorist financing prevention and detection.

(2) The authorised person's deputy shall replace the authorised person during his/her absence in the performance of matters referred to in paragraph 1 of this Article and shall perform other tasks as per this Law, should this be provided for by the reporting entity's internal enactment.

Duties of the Reporting Entity towards the Authorised Person and the Deputy

Article 47

(1) Within the framework of money laundering and terrorist financing prevention and detection as prescribed by this Law, the reporting entity shall be obliged to ensure the following conditions to the authorised person and the deputy:

1. unrestricted access to all data, information and documentation necessary for the purposes of money laundering and terrorist financing prevention and detection;
2. adequate authorisations for an efficient conducting of tasks referred to in Article 46, paragraph 1 of this Law;
3. adequate human resource, material and other work conditions;
4. adequate premises and technical conditions, which shall guarantee proper degree of confidential data and information protection available to the authorised person on the basis of this Law;
5. adequate IT support enabling ongoing and safe monitoring of the activities in the field of money laundering and terrorist financing prevention and detection;
6. regular professional training in relation to money laundering and terrorist financing prevention and detection;
7. replacement of the authorised person during absence.

(2) Internal organisational units, including management board or other managerial body within the reporting entity shall be obliged to ensure the authorised person and deputy have assistance and support during the performance of assignments as per this Law and regulations passed on the basis of this Law and to inform them of all the activities which were or might be related with money laundering or terrorist financing. The manner of referring the notifications and the course of cooperation between the authorised person and the employees in other organisational units shall be provided for in detail in the reporting entity's internal enactments.

(3) The reporting entity shall be obliged to ensure the persons who perform the function of the authorised person and the deputy as per this Law carry out their work and assignments as an exclusive full time work duty, if the scope of tasks in the money laundering and terrorist financing prevention and detection field is permanently expanded due to the large number of employees, the nature or scope of operations, i.e. for other justified reasons.

(4) The authorised person referred to in paragraph 3 of this Article shall perform his/her duties as autonomous organisational section directly responsible to management board or other managerial body, and shall functionally and organisationally be segregated from other organisational parts of the reporting entity.

Reporting Entity's Internal Enactment

Article 48

(1) The reporting entities shall undertake to pass an internal enactment to provide for measures, actions and proceeding for the purpose of money laundering and terrorist

financing prevention and detection as prescribed by this Law and regulations passed on the basis of this Law.

(2) The reporting entity's internal enactment is to specifically determine the responsibility of the authorised persons in charge of the implementation of this Law in the case of the non-observance of the provisions of this Law and regulations passed on the basis of this Law, as well as the responsibility of all other reporting entity's employees partaking in the implementation of this Law and regulations passed on the basis of this Law.

(3) The reporting entity shall be obliged to supply the Office with a copy of the internal enactment at Office's request.

Regular Professional Training and Development Obligation

Article 49

(1) The reporting entities referred to in Article 4, paragraph 2 of this Law shall be obliged to cater for regular professional improvement and training of all employees involved in the tasks relative to money laundering and terrorist financing prevention and detection as per this Law.

(2) Professional improvement and training referred to in paragraph 1 of this Article shall pertain to the familiarisation with the provisions of this Law and regulations passed on the basis of the Law, reporting entity's internal enactments, and with international standards stemming from the international money laundering and terrorist financing prevention conventions, with the guidelines and the list of suspicious transactions detection indicators, and with other assignments prescribed by this Law.

(3) No later than before the expiration of the current year, the reporting entity shall undertake to produce the annual professional improvement and training programme pertinent to the money laundering and terrorist financing prevention and detection field for the next calendar year.

Regular Internal Audit Obligation

Article 50

(1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall be obliged to ensure that regular internal audit over the performance of money laundering and terrorist financing prevention and detection assignments as per this Law be performed at least once a year, and to inform the Office accordingly at request.

(2) The purpose of internal audit referred to in paragraph 1 of this Article shall relate to the detection and prevention of irregularities in the implementation of the Law and to the improvement of the internal system for detecting suspicious transactions and persons, as referred to in Article 42 of this Law.

(3) The Minister of Finance may issue a rulebook to prescribe more detailed internal auditing rules.

CHAPTER III

DUTIES OF LAWYERS, LAW FIRMS AND NOTARIES PUBLIC, AND AUDITING FIRMS AND INDEPENDENT AUDITORS, LEGAL AND NATURAL PERSONS INVOLVED IN THE PERFORMANCE OF ACCOUNTING SERVICES AND TAX ADVISORY SERVICES

General Provisions

Article 51

During the performance of matters from their respective scopes of competence as defined in other laws, lawyers, law firms and notaries public, and auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services (hereinafter referred to as the persons performing professional activities) shall be obliged to carry out money laundering and terrorist financing prevention and detection measures and to observe the provisions of this Law providing for duties and obligations of other reporting entities, unless set forth otherwise in this Chapter.

Tasks and Duties of Lawyers, Law Firms and Notaries Public

Article 52

By way of derogation from the provisions contained in **Article 51** of this Law, lawyers, law firms or notaries public shall observe the provisions of this Law only in instances when:

1. assisting in planning or conducting transactions on behalf of a customer in relation with:
    a. buying or selling real-estate or stakes, i.e. shares in a company;
    b. management of cash funds, financial instruments or other customer-owned property;
    c. opening or managing bank accounts, savings deposits or financial instruments trading accounts;

d. collecting funds necessary for the establishment, operation or management of a company;
e. establishment, operation or management of an institution, a fund, a company or another legally defined organisational form;

2. carrying out real-estate related financial transaction or transactions on behalf and for the account of a customer.

Customer Due Diligence Conducted by Persons Involved in the Performance of Professional Activities

Article 53

(1) Within the framework of customer due diligence at establishing the business relationship referred to in Article 9, paragraph 1, item 1 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 4, 5, 7, 8 and 10 of this Law.

(2) Within the framework of customer due diligence at conducting transactions referred to in Article 9, paragraph 1, item 2 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 9 and 10 of this Law.

(3) Within the framework of customer due diligence in instances when there shall be suspicion of credibility and veracity of the previously collected customer or beneficial owner information, and in all instances when there shall be reasons for suspicion of money laundering or terrorist financing as referred to in Article 9, paragraph 1, items 3 and 4 of this Law, the persons involved in the performance of professional activities shall gather information referred to in Article 16, paragraph 1, items 1, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of this Law.

(4) Within the framework of customer identification, the persons involved in the performance of professional activities shall identify the customer, i.e. customer's legal representative or the person authorised by power of attorney and shall gather information referred to in Article 16, paragraph 1, item 1 of this Law, through the examination of a customer's official personal identification document, i.e. original documents or notarised photocopies of documents or notarised documentation from a court or other public register, which may not be more than three months old.

(5) The persons involved in the performance of professional activities shall identify the beneficial owner of the customer, which beneficial owner shall be a legal person or another similar legal entity through the gathering of information referred to in Article 16, paragraph 1, item 4 of this Law, through examination or original or notarised photocopy of documentation from a court or other public register, which may not be more than three months old. Should the excerpts from a court or other public register be insufficient to enable the collection of all information, the missing information shall be collected

through the examination of original or notarised photocopies of documents and other business documentation presented by the legal person's legal representative, i.e. his/her person authorised by power of attorney.

(6) The persons involved in the performance of professional activities shall gather other information referred to in Article 16, paragraph 1 of this Law through the examination of original or notarised photocopy of documents and other business documentation.

(7) Should it be impossible to obtain all data in the manner set forth in this Article, the missing information, except for information referred to in Article 16, paragraph 1, item 1, sub-item 5, item 5, sub-item 5 and item 11 of this Law, shall be gathered directly from a written statement given by the customer or customer's legal representative.

(8) At establishing a business relationship with a customer subject to the mandatory audit of annual accounting statements as prescribed by a law providing for the customer's business activity, an auditing firm and an independent auditor may conduct a simplified customer due diligence, save for instances where reasons for suspicion of money laundering or terrorist financing shall exist associated with a customer or circumstances of an audit.

(9) The persons involved in the performance of professional activities shall conduct customer due diligence measures referred to in paragraphs 1-7 of this Article to the extent and within the scope relevant to their scope of work.

Obligation of the persons involved in the performance of professional activities to report the Office on transactions and persons in relation to which reasons for suspicion of money laundering and terrorist financing shall exist

Article 54

(1) Should a lawyer, a law firm and a notary public, during the performance of matters referred to in Article 52 of this Law, as well as an auditing firm and an independent auditor, legal and natural persons involved in the performance of accounting services and tax advisory services, establish that reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or certain person, they shall undertake to notify the Office thereof without any undue delay pursuant to with the provisions contained in Article 42 of this Law.

(2) In all instances when the customer seeks an advice from persons involved in the performance of professional activities on money laundering or terrorist financing, the persons involved in the performance of professional activities shall undertake to immediately notify the Office thereof, and no later than within three business days from the date the customer sought for such an advice.

(3) At reporting the Office on suspicious transactions, the persons involved in the performance of professional activities shall furnish the Office with information referred to in Article 16, paragraph 1 of this Law in the manner to be prescribed by the Minister of Finance in a rulebook.

Exceptions for persons involved in the performance of professional activities

Article 55

(1) The provisions contained in Article 54, paragraphs 1 of this Law shall not apply to the persons involved in the performance of professional activities in respect of information they receive from or obtain on a customer during the course of establishing the legal position of the customer or during the representation of the customer in relation with a court proceeding which shall include advice on proposing or avoiding court proceeding, whether such information is received or obtained before, during or after the completion of such court proceedings.

(2) In the instance covered in paragraph 1 of this Article, the persons involved in the performance of professional activities shall not be obliged to supply data, information and documentation on the basis of the Office's request referred to in Article 59 of this Law. In such instances, they shall undertake to proceed without any undue delay and no later than within fifteen days from the receipt of the request supply the Office with a substantiated written explanation of reasons for which they did not comply with the Office's request.

(3) By way of derogation from the obligations prescribed in this Law, the persons involved in the performance of professional activities shall not be obliged:

1. to report the Office on cash transactions referred to in Article 40, paragraph 1 of this Law, except in instances when reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a customer;
2. to appoint authorised persons and authorised person's deputy;
3. to carry out internal audit over the performance of money laundering and terrorist financing related tasks.

CHAPTER IV

TASKS AND SCOPE OF COMPETENCE OF THE ANTI-MONEY LAUNDERING OFFICE

General Provisions

Article 56

(1) The Office shall be an administrative organisation within the structure of the Ministry of Finance, performing tasks aimed at money laundering and terrorist financing prevention, as well as other tasks as provided for in this Law.

(2) As a Financial Intelligence Unit and the Central National Unit, the Office shall collect, store, analyse and submit data, information and documentation on suspicious transactions to competent government bodies for further proceeding for the purpose of money laundering and terrorist financing prevention and detection in keeping with the provisions contained in this Law.

(3) The Ministry of Finance shall submit the Office Performance Report at least once a year to the Government of the Republic of Croatia.

Money Laundering and Terrorist Financing Prevention

Article 57

(1) The Office shall be competent to perform the activities listed hereunder for the purpose of money laundering and terrorist financing prevention:

1. Acquiring and analysing information, data and documentation supplied by the reporting entities and other competent bodies in relation to money laundering and terrorist financing, issuing orders to reporting entities on temporary suspension of a suspicious transaction execution;
2. Requiring the reporting entities exercise ongoing monitoring of financial operations of customers;
3. Requiring data or other documentation necessary for money laundering and terrorist financing detection purposes from all government bodies, local and regional self-government units and legal persons with public authorities;
4. Effect inter-institutional cooperation in the field of money laundering and terrorist financing prevention and detection with all competent government bodies;
5. Reporting information to competent government bodies and foreign financial intelligence units in instances when reasons for suspicion of money laundering and terrorist financing shall exist in relation with a transaction or a person in the country or abroad;
6. Exchange of data, information and documentation with foreign financial intelligence units and other international bodies competent for money laundering and terrorist financing prevention matters;
7. Conducting offsite supervision via the collection and examination of data and documentation;
8. Obtaining and examining data and documentation necessary to carry out misdemeanour proceedings, and filing indictment motions;

9. Proposing to the a competent supervisory body the conducting of targeted onsite supervisions concerning the implementation of money laundering and terrorist financing prevention measures;

(2) In addition to the tasks referred to in paragraph 1 of this Article, the Office shall also perform the tasks indicated hereunder of relevance for the development of the preventive money laundering and terrorist financing prevention system, including:

1. Giving proposals to a competent body concerning amendments to regulations applicable to money laundering and terrorist financing prevention and detection;
2. Cooperating jointly with the supervisory bodies with the reporting entities during the production of the list of indicators for the detection of transactions and customers in relation to which reasons for suspicion of money laundering or terrorist financing shall exist;
3. Jointly with the regulatory bodies and supervisory bodies referred to in Article 83 of this Law, issuing guidelines for a uniform implementation of this Law and regulations passed on the basis of this Law, for reporting entities referred to in Article 4, paragraph 2 of this Law;
4. Taking part in professional training of employees from the reporting entities, government bodies and legal persons with public authorities;
5. Publishing statistical data relative to money laundering and terrorist financing at least once a year;
6. Informs the public in other adequate ways on the forms of money laundering and terrorist financing.

Inter-Institutional Cooperation of the Office

Article 58

(1) In the money laundering and terrorist financing prevention and detection, the Office shall cooperate with the State Attorney's Office of the Republic of Croatia, the Ministry of the Interior – the Police Directorate, the supervisory services of the Ministry of Finance (the Financial Inspectorate, the Customs Administration, the Tax Administration and the Financial Police), the Croatian Financial Services Supervision Agency, the Croatian National Bank, the Security-Intelligence Agency, the Ministry of Foreign Affairs and European Integration, the Ministry of Justice and with other state bodies.

(2) For the purpose of achieving the strategic and operational objectives, the bodies referred to in paragraph 1 of this Article shall sign a protocol on cooperation and on the establishment of an inter-institutional money laundering and terrorist financing working group.

(3) The Office must have a timely access, direct or indirect, to financial, administrative and security data, information and documentation relative to the implementation of this

Law and regulations passed on the basis of this Law for the purpose of the Office's tasks performance, including the suspicious transactions analyses.

Section 1
ANALYTICAL-INTELLIGENCE WORK OF THE OFFICE: MONEY LAUNDERING AND TERRORIST FINANCING DETECTION

Sub-section 1
GENERAL PROVISIONS

Request for Reporting Entities' Supply of Suspicious Transactions or Persons Data

Article 59

(1) The Office shall commence the analytical processing of transactions in instances when a reporting entity or a competent body referred to in Articles 58 and 64 of this Law supplies the Office with substantiated reasons for suspicion of money laundering or terrorist financing in relation with a transaction or a person.

(2) The Office may order the reporting entities to supply all data required for money laundering and terrorist financing prevention and detection in instances when suspicion of money laundering or terrorist financing shall exist, when the Office had received:

1. a cash or suspicious transaction report from a reporting entity;
2. a written request or a suspicious transaction report or a notification on suspicion of money laundering or terrorist financing from a foreign financial intelligence unit;
3. a written report on suspicion of money laundering and terrorist financing from a body referred to in Article 58, paragraph 1 of this Law;
4. a written report on suspicion of money laundering and terrorist financing from government bodies, courts, legal persons with public authorities and other entities referred to in Article 64 of this Law, as well as from the supervisory body referred to in Article 83, paragraph 1, items b) to e) of this Law.

(3) The Office may require the reporting entities referred to in Article 4, paragraph 2 of this Law supply the Office with other data necessary for the money laundering and terrorist financing prevention and detection purposes, such as:

1. data on customers and transactions the reporting entities shall gather in keeping with the provisions contained in Article 16 of this Law;
2. data on the status of funds and other customer's property with the reporting entity;
3. data on the customer's funds and property turnover with the reporting entity;
4. data on other business relationships of the customers established with the reporting entity;

5. all other data and information the reporting entity had gathered or keep on the basis of this Law, which data and information shall be required for money laundering or terrorist financing prevention and detection purposes.

(4) The Office may require the reporting entities supply data referred to in paragraph 3 of this Article in instances involving a person which may be assumed to have taken part, i.e. is involved in any way whatsoever in the transactions or matters of a person in relation to which reasons for suspicion of money laundering or terrorist financing shall exist.

(5) In instances referred to in paragraphs 2, 3 and 4 of this Article, the reporting entities shall undertake to supply the Office with all accompanying documentation at request of the Office.

(6) The reporting entities must furnish the Office with data, information and documentation referred to in the previous paragraphs of this Article without any undue delay, and no later than within fifteen days after the request receipt date.

(7) The Office may set a shorter deadline in its request, should this be necessary for the purpose of determining circumstances of relevance for the issuance of a temporary suspicious transaction execution suspension order, or for referring data to a foreign financial intelligence unit, and in other necessary instances when such a course of action shall be required to prevent the causing of economic damage.

(8) Because of the comprehensiveness of documentation and for other justified reasons, the Office may at reporting entity's substantiated written request allow an extension of the deadline referred to in paragraphs 6 and 7 of this Article, which extension shall also be given in writing.

(9) In the case referred to in paragraph 8 of this Article, the Office shall be entitled to conduct examination and immediate review of documentation with the reporting entities referred to in Article 4, paragraph 2 of this Article.

Order to Reporting Entities on Temporary Suspension of a Suspicious Transaction Execution

Article 60

(1) Should it be necessary to take urgent action to verify data on a suspicious transaction or a person or when the Office shall judge that there are grounded reasons that a transaction or a person is linked with money laundering or terrorist financing, the Office may issue a written order to instruct the reporting entity to temporarily suspend the execution of the suspicious transaction for a maximum period of 72 hours.

(2) In instances where it shall not be possible to issue the written order to the reporting entities due to the nature or manner of transaction execution, i.e. the circumstances surrounding the transaction, as well as in other urgent instances, the Office may

exceptionally give the reporting entity a verbal order to temporarily suspend the execution of the suspicious transaction.

(3) The Office must confirm the verbal order referred to in paragraph 2 of this Article by a written order immediately, and no later than within 24 hours after the verbal order had been issued.

(4) The reporting entity's authorised person shall make an official note on the receipt of the verbal order referred to in paragraph 2 of this Article, and keep the note on file in line with the provisions of this Law providing for the data protection and keeping.

(5) The Office shall without any undue delay notify the State Attorney's Office of the Republic of Croatia and/or the competent State Attorney's Branch of the issued orders referred to in paragraphs 1 and 2 of this Article.

(6) After the expiration of the deadline referred to in paragraph 1 of this Article, the transaction may be suspended only on the basis of a court decision in agreement with the provisions contained in a law providing for criminal procedure.

Cessation of the Temporary Suspicious Transaction Execution Suspension Order

Article 61

If within 72 hours from the issuance of the temporary suspicious transaction execution suspension order the Office had examined data on suspicious transaction and judged that grounded reasons for suspicion of money laundering and terrorist financing shall no longer exist, the Office shall inform the State Attorney's Office of the Republic of Croatia and/or competent State Attorney's Branch and the reporting entity, who shall be allowed to immediately conduct the transaction.

Ordering Reporting Entities to Exercise Ongoing Monitoring of Customer's Financial Operations

Article 62

(1) The Office may give a reporting entity a written order to exercise ongoing monitoring of financial operations of a person in relation to which reasons for suspicion of money laundering or terrorist financing shall exist or of another person for which a grounded conclusion may be made that the person have assisted or taken part in the transactions or arrangements of a person in relation to which suspicion shall exist, and to regularly report the Office on transactions or arrangements the said persons shall perform or intend to perform with the reporting entity. The Office's order shall mandatorily define the

deadlines within which the reporting entities shall be obliged to furnish the Office with the requested data.

(2) The reporting entities shall be obliged to furnish the Office with data referred to in paragraph 1 of this Article before the execution of a transaction or entering into an arrangement and to indicate the deadline in the report in which the transaction or the arrangement shall be completed.

(3) If the reporting entity shall not be in position to observe the provisions contained in paragraph 2 of this Article due to the nature of the transaction, i.e. the arrangement, or because of other justified reasons, the reporting entity shall undertake to furnish the Office with data at soonest occasion possible, and no later than on the next business day. The reporting entity's report must mandatorily indicate the reason for which the reporting entity failed to observe paragraph 2 of this Article.

(4) The implementation of the measures referred to in paragraph 1 of this Article may last for up to three months, and in the case of justified reasons the effectiveness of the measures may be prolonged each time for an additional month, with that the implementation of the measures may last for a maximum of six months.

Request to State Bodies, Local and Regional Self-Government Units, Legal Persons with Public Authorities for the Supply of Suspicious Transactions or Persons Information

Article 63

(1) Should the Office deem that reasons for suspicion of money laundering or terrorist financing shall exist in relation with a transaction or a person, the Office may request state bodies, local and regional self-government units, and legal persons with public authorities to supply data, information and documentation necessary for the money laundering or terrorist financing prevention and detection purposes.

(2) The Office also may request data referred to in paragraph 1 of this Article from state bodies, local and regional self-government units, and legal persons with public authorities in instances involving a person which may be assumed to have taken part, i.e. to have been involved in transactions or arrangements of a person in relation to which reasons for suspicion of money laundering or terrorist financing shall exist.

(3) State bodies, local and regional self-government units, and legal persons with public authorities shall be obliged to refer data, information and documentation from the previous paragraphs to the Office without any undue delay, and no later than within fifteen days upon the receipt of the request, or shall enable the Office to have free of charge direct electronic access to the specific data and information.

(4) By way of derogation from the provisions contained in paragraph 3 of this Article, the Office may exceptionally set a shorter deadline in its request, should such a course of action be necessary for establishing circumstances of relevance for the issuance of a temporary suspicious transaction execution suspension order or for furnishing foreign financial intelligence units with necessary information, and in other necessary instances when such a course of action shall be required to prevent the causing of economic damage.

(5) Because of the comprehensiveness of documentation and for other justified reasons, the Office may at substantiated written request submitted by a state body, a local and regional self-government unit and a legal person with public authorities allow an extension of the deadline referred to in paragraphs 3 and 4 of this Article, which extension shall also be given in writing.

Reporting the Office by State Bodies, Courts, Legal Persons with Public Authorities and other Entities on Suspicion of Money Laundering and Terrorist Financing

Article 64

(1) **By way of derogation from the provisions contained in Articles 40, 42 and 54, paragraphs 1 and 2 of this Law**, the Office may commence analytical processing of suspicious transactions at a substantiated written proposal of the **bodies referred to in Article 58, paragraph 1** of this Law, as well as of the courts and legal persons with public authorities, should the said proposals shall indicate reasons for suspicion of money laundering or terrorist financing and if such reasons were established during the performance of matters from the respective scopes of competence of the entities which filed such proposals.

(2) The Stock-Exchange, the Central Depositary Agency and the Croatian Privatisation Fund shall be obliged to notify the Office in writing and without any undue delay should they establish or detect such activities during the course of carrying out their respective matters, i.e. the arrangements they perform within the framework of their respective scopes of competence, which activities shall be or might be connected with money laundering or terrorist financing.

(3) The written proposal referred to in paragraphs 1 and 2 of this Article must contain reasons for suspicion of money laundering or terrorist financing with an explanation, including the following information:

1. name, surname, date and place of birth, permanent address of a natural person, i.e. name, address and seat of a legal person, in respect of which natural or legal persons reasons for suspicion of money laundering or terrorist financing shall exist or other identification information;
2. information on the transaction in respect of which reasons for suspicion of money laundering or terrorist financing shall exist (subject matter, amount,

currency, date or period of transaction execution or other transaction-related information);
3. reasons for suspicion of money laundering or terrorist financing.

(4) Should the written proposal referred to in paragraphs 1 and 2 of this Article fall short of the explanation and information referred to in paragraph 3 of this Article, the Office shall refer the written proposal back to the body or person which submitted it for further completion.

(5) If the written proposal was not supplemented within 15 days or if the proposal again fails to substantiate the reasons and indicate information in keeping with the provisions contained in paragraph 3 of this Article, the Office shall notify the supplier of the proposal in writing as to the invalidity of the written proposal for the analytical processing purposes, indicating the reasons for which the proposal was not subject to analytical processing procedure.

(6) Exceptionally and if the circumstances surrounding the specific case allow so, the Office may commence the suspicious transactions analytical processing also on the basis of available data on persons and transactions referred to in paragraph 3, items 1 and 2 of this Article.

(7) At the request of the Office, the bodies referred to in paragraphs 1 and 2 of this Article shall be obliged to supply information, data and documentation pointing to the suspicion of money laundering or terrorist financing.

Report on Transactions Suspicious for Money Laundering and Terrorist Financing

Article 65

(1) In instances when the Office deems on the basis of analytical processing of data, information and documentation the Office had collected in line with this Law that reasons for suspicion of money laundering or terrorist financing in the country or abroad shall exist in relation with a transaction or a person, the Office shall accordingly and in writing report the competent state bodies or foreign financial intelligence units thereof, with that the report shall contain all necessary documentation.

(2) In the report referred to in paragraph 1 of this Article, the Office shall not state information on the reporting entity’s employee who first supplied the information on the basis of Articles 42 and 54 of this Law, except for instances where reasons for suspicion shall exist that the reporting entity or its employee had committed the money laundering or terrorist financing offence, or if the information shall be necessary to establish the offence in the criminal procedure and the said information is required by the competent court in writing.

Feedback

Article 66

Concerning the received and analysed information regarding a transaction or a person for which reasons for suspicion of money laundering or terrorist financing were established, the Office shall supply a written notification thereof to the reporting entities referred to in Article 4, paragraph 2 of this Law who reported the transaction, save for instances in which the Office deems such a course of action could damage the further course and outcome of the proceeding, by doing the following:
1. confirm the transaction report receipt;
2. supply the information on the decision or the result of such a case if the case based on the report on transaction was closed or completed, and information thereof became available;
3. at least once a year, supply or publish statistical data on the received transaction reports and the results of proceedings;
4. supply or publish information on the current techniques, methods, trends and typologies of money laundering and terrorist financing;
5. supply or publish summarised examples of specific money laundering and terrorist financing cases.

Sub-section 2
INTERNATIONAL COOPERATION OF THE OFFICE

General Provisions

Article 67

(1) The provisions on international cooperation contained in this Law shall pertain to cooperation between the Office and the foreign financial intelligence units in respect of the exchange of relevant data, information and documentation at a request of the Office extended to a foreign financial intelligence unit, at request of a foreign financial intelligence unit extended to the Office and at own initiative (spontaneously) extended to a foreign financial intelligence unit**,** for the purpose of money laundering and terrorist financing prevention.

(2) Prior to the reference of personal information to foreign financial intelligence units, the Office may seek assurances that the country or the beneficiary being supplied with data have personal information protection in place and that the foreign financial intelligence unit shall use personal information only for purposes provided for by this Law.

(3) The Office may sign memoranda of understanding with foreign financial intelligence units for the purpose of enhancing cooperation with regard to data, information and

documentation exchange in the field of money laundering and terrorist financing prevention.

(4) By way of derogation from the provisions contained in this Article and in Articles 68, 69, 70 and 71 of this Law, the condition of effective reciprocity shall not be applied to international cooperation between the Office and foreign financial intelligence units and other foreign bodies and international organisations competent for money laundering and terrorist financing prevention from member-states.

Data Supply Requests Extended to Foreign Financial Intelligence Units

Article 68

(1) Within the framework of carrying out money laundering and terrorist financing prevention and detection tasks, the Office may extend requests to foreign financial intelligence units to supply the Office with data, information and documentation needed for money laundering or terrorist financing prevention and detection purposes.

(2) The Office shall be allowed to use data, information and documentation obtained on the basis of paragraph 1 of this Article solely for the needs of its analytical-intelligence work and for purposes provided for by this Law.

(3) Without a prior consent given by a foreign financial intelligence unit, the Office shall not be allowed to submit the received data, information and documentation to or present them for examination by a third person, natural or legal, i.e. to other body, or to use them for purposes contrary to the conditions and limitations set by the foreign financial intelligence unit to which the request was extended, and shall be obliged to apply the confidentiality classification to such data at least to the extent applied by the body which supplied such data.

Supply of Data at Request Extended by a Foreign Financial Intelligence Unit

Article 69

(1) The Office shall submit data, information and documentation on customers or transactions in respect of which reasons for suspicion of money laundering or terrorist financing shall exist, which the Office shall collect or keep in line with the provisions contained in this Law, to a foreign financial intelligence unit at such unit’s request sent in writing on the basis of the effective reciprocity.

(2) The Office may refuse the satisfaction of the request of the foreign financial intelligence unit in the following cases:

1. if the Office deems on the basis of the facts and circumstances indicated in the request that the reasons for suspicion of money laundering or terrorist financing have not been supplied;
2. if the supply of data would jeopardize or could jeopardize the carrying out of a criminal procedure in the Republic of Croatia, i.e. if it could in any way damage the national interests of the Republic of Croatia.

(3) The Office shall notify the foreign financial intelligence unit that extended a written request of the refusal of the request referred to in paragraph 2 of this Article, stating the reasons for which the request extended by the foreign financial intelligence unit was not satisfied.

(4) The Office may set additional conditions and limitations under which the foreign financial intelligence unit shall be allowed to use data referred to in paragraph 1 of this Article.

Spontaneous Delivery of Information to a Foreign Financial Intelligence Unit

Article 70

(1) The Office shall be entitled to spontaneously deliver data and information, which the Office shall collect or keep in line with the provisions contained in this Law, concerning customers or transactions in relation to which reasons for suspicion of money laundering or terrorist financing shall exist to a foreign financial intelligence unit when the conditions of effective reciprocity shall be met.

(2) In terms of spontaneous delivery of data at Office's own initiative, the Office shall be entitled to set additional requirements and limitations under which the foreign financial intelligence unit shall be allowed to use the received data referred to in paragraph 1 of this Article.

Temporary Transaction Execution Suspension at the Proposal of a Foreign Financial Intelligence Unit

Article 71

(1) At a substantiated written proposal given by a foreign financial intelligence unit the Office may, under the conditions provided for by this Law and on the basis of the effective reciprocity, issue a written order to instruct a reporting entity to temporarily suspend a suspicious transaction execution for up to 72 hours.

(2) The Office shall notify the State Attorney's Office of the Republic of Croatia of the issued order referred to in paragraph 1 of this Article without any undue delay.

(3) The Office shall take such a course of action as prescribed in the provisions contained in paragraph 1 of this Article should it deem on the basis of reasons for suspicion indicated in the written proposal of the foreign financial intelligence unit that:

1. the transaction is connected with money laundering or terrorist financing and that
2. the transaction would have been temporarily suspended had the transaction been the subject matter of a domestic suspicious transaction report in keeping with the provisions contained in Articles 42 and 54 of this Law.

(4) The Office shall not consider a proposal of a foreign financial intelligence unit if the Office judges on the basis of the facts and circumstances stated in the proposal referred to in paragraph 1 of this Article that the reasons of money laundering or terrorist financing suspicion were not substantiated. The Office shall notify the foreign financial intelligence unit of the non-acceptance of the proposal, stating the reasons for which the proposal was not accepted.

(5) Concerning the order for a temporary transaction execution suspension as per this Article, the provisions contained in Articles 60 and 61 of this Law shall adequately apply.

Proposal to a Foreign Financial Intelligence Unit for a Temporary Transaction Execution Suspension Abroad

Article 72

Within the framework of carrying out money laundering and terrorist financing prevention and detection tasks, the Office may submit a written proposal to a foreign financial intelligence unit for a temporary suspension of transaction execution, should the Office judge that there shall exist reasons for suspicion of money laundering or terrorist financing associated with a person or a transaction.

Sub-section 3
DATA ACCESS AND INFORMATION EXCHANGE

Supplying Data to Courts and the competent State Attorney's Office

Article 73

At a substantiated written request filed by courts and the competent State Attorney's Office, the Office shall supply them with data on cash transactions referred to in **Article 40, paragraph 1** and data on transactions referred to in **Article 74** of this Law, which data shall be indispensable for them in establishing circumstances of relevance for confiscating economic benefits or determining provisional security measures in accordance with the provisions of a law providing for criminal proceeding.

Section 2
TASKS OF THE CUSTOMS ADMINISTRATION OF THE REPUBLIC OF CROATIA

Cash Carrying Across the State Border

Article 74

(1) The bodies of the Customs Administration of the Republic of Croatia shall be obliged to immediately notify the Office of any declaration of cash entering or leaving across the state border amounting to kuna equivalent of EUR 10,000.00 or more, and no later than within three days from the date of cash crossing the state border.

(2) The bodies of the Customs Administration of the Republic of Croatia shall be obliged to immediately notify the Office of any cash entering or leaving across the state border in instances when such cash carrying was not declared to a customs body, and no later than within three days from the date of cash crossing the state border.

(3) The bodies of the Customs Administration of the Republic of Croatia shall be obliged to notify the Office within a maximum of three days from the date of cash entering or leaving across the state border also in instances when such cash entering or leaving or attempted cash entering or leaving across the state border involves cash amounts less than kuna equivalent of EUR 10,000.00, should reasons be established for suspicion of money laundering or terrorist financing in relation with the person carrying cash, the manner of such cash carrying or other cash carrying circumstances.

(4) The Minister of Finance shall issue a rulebook to prescribe what shall be considered cash referred to in paragraph 1 of this Article and which data shall be supplied to the Office by the Customs Administration of the Republic of Croatia, as well as the manner of such data supply.

(5) From the date of Republic of Croatia’s accession to the European Union, the state border referred to in paragraphs 1, 2 and 3 of this Article shall be European Union border.

CHAPTER V
DATA PROTECTION AND KEEPING

Section 1
DATA PROTECTION

Secrecy of the Collected Data and of the Procedures

Article 75

(1) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees, including members of management and supervisory boards and other managerial bodies and other persons who have any type of access and availability of data collected in accordance of this Law shall not be allowed to disclose the information listed hereunder to a customer or a third person:

1. that the Office was or will be supplied with a piece of data, information or documentation on the customer or a third person or a transaction referred to in Article 42, Article 54, paragraphs 1 and 2 and Article 59 of this Law;
2. that the Office had temporarily suspended the execution of a suspicious transaction, i.e. gave instructions thereof to the reporting entity on the basis of Article 60 of this Law;
3. that the Office requested ongoing monitoring of a customer's financial operations on the basis of Article 62 of this Law;
4. that a pre-investigative procedure has commenced or might be commenced against a customer or a third person due to suspicion of money laundering or terrorist financing.

(2) The Office shall not be allowed to communicate the collected data, information and documentation and the course of action on the basis of this Law to persons to which data, information and documentation or action shall pertain, or to third persons.

(3) Information referred to in paragraphs 1 and 2 of this Article, reports on transactions suspected to be linked with money laundering or terrorist financing referred to in Article 65 of this Law shall be defined and marked as classified data and shall bear an adequate level of secrecy attributed to them.

(4) The Head of the Office, and the person authorised by the Head of the Office to that end shall be entitled to decide on data declassifying and the exclusion from data secrecy observance.

(5) The prohibition of information disclosure referred to in paragraph 1 of this Article shall not be valid if:

1. data, information and documentation collected and kept by the reporting entity in accordance with this Law shall be needed for the purpose of establishing facts in a criminal procedure and if the supply of such data was requested from or ordered to the reporting entity by a competent court in writing;
2. data from the previous item shall be required by a competent supervisory body referred to in Article 83 of this Law for the purpose of conducting supervision over a reporting entity in its implementation of the provisions of this Law and the initiation of a misdemeanour procedure.

(6) An attempt on the part of persons involved in the performance of professional activities referred to in Article 4, paragraph 2 to dissuade a customer from engaging in an illegal activity shall not represent information disclosure within the meaning of paragraph 1 of this Article.

Exemptions from the Data Secrecy Principle Observance

Article 76

(1) For the reporting entities referred to in Article 4, paragraph 2 of this Law, the state administration bodies, the legal persons with public authorities, the courts and the State Attorney's Office and their employees, the submission of data, information and documentation to the Office on the basis of this Law shall not represent the disclosure of classified data, i.e. disclosure of business, banking, professional, notary public, lawyer client privilege or other secret.

(2) The reporting entities referred to in Article 4, paragraph 2 of this Law and their employees shall not be held accountable for any damage caused to customers or third persons if they shall act *bona fide* in line with the provisions contained of this Law and regulations passed on the basis of this Law and:

1. supply the Office with data, information and documentation on their customers;
2. collect and process customer data, information and documentation;
3. carry out an order issued by the Office on temporary transaction suspension and instructions in relation with the order;
4. carry out an order issued by the Office on ongoing monitoring of customer's financial operations.

(3) The employees of the reporting entities referred to in Article 4, paragraph 2 of this Law may not be held disciplinary or criminally answerable for the infringement of classified data secrecy observance, i.e. data related to banking, professional, notary public, lawyer client privilege or other secret if:

1. they analyse data, information and documentation gathered in accordance with this Law for the purpose of establishing reasons for suspicion of money laundering or terrorist financing in relation to a customer or a transaction;
2. they supply the Office with data, information and documentation in keeping with the provisions contained in this Law or regulations passed on the basis of this Law.

Use of the Collected Data

Article 77

(1) The Office, the reporting entities referred to in Article 4, paragraph 2 of this Law, the state bodies, the legal persons with public authorities and other entities referred to in Article 64 of this Law and their employees shall be allowed to use data, information and documentation they gathered in accordance with this Law only for the money laundering and terrorist financing prevention and detection purposes, unless prescribed otherwise.

(2) The courts and the competent State Attorney's Offices shall be allowed to use data they received on the basis of Article 73 of this Law solely for the intended purpose of receipt.

Section 2
DATA KEEPING

Period of Data Keeping by the Reporting Entities

Article 78

(1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall undertake to keep data collected on the basis of this Law and regulations passed on the basis of this Law and the accompanying documentation for the period of ten years after a transaction execution, the termination of a business relationship, entry of a customer into a casino or approaching a safe deposit box.

(2) The reporting entities referred to in Article 4, paragraph 2, items 1-15 of this Law shall undertake to keep data and the accompanying documentation on an authorised person and the authorised person's deputy, the professional training of employees and the performance of internal audit referred to in Articles 44, 49 and 50 of this Law for the period of four years after the appointment of the authorised person and the authorised person's deputy, the delivery of professional training or the performed internal audit.

(3) By way of derogation from the provisions contained in paragraph 1 of this Article, lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall undertake to keep data and the accompanying documentation they collected on the basis of Article 53 of this Law for the period of ten years after the completion of customer identification.

(4) By way of derogation from the provisions contained in paragraph 2 of this Article, lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall undertake to keep data and the accompanying documentation on professional training of employees for the period of four years after the delivery of professional training.

Period of Data Keeping by the Customs Administration of the Republic of Croatia

Article 79

The bodies of the Customs Administration of the Republic of Croatia shall undertake to keep data referred to in Article 74 of this Law for the period of twelve years from the

collection date. Upon the expiration of the period, data and information shall be destroyed pursuant to the law providing for archives content and archives.

Data Keeping Period in the Office

Article 80

(1) The Office shall undertake to keep data and information from the records the Office shall keep in accordance with this Law for the period of twelve years from the collection date. Upon the expiration of the period, data and information shall be destroyed pursuant to the law providing for archives content and archives.

(2) Persons to which data and information shall pertain shall be entitled to have insight into personal data, i.e. to the transcription, excerpt or photocopy upon the expiration of the period of eleven years after the collection date.

Section 3
RECORDS AND STATISTICS KEEPING

Records Keeping

Article 81

(1) The reporting entities referred to in Article 4, paragraph 2, items 1-15 shall keep the following records:

1. records on customers, business relationships and transactions referred to in Article 9 of this Law;
2. records on the supplied data referred to in Articles 40 and 42 of this Law.

(2) Lawyers, law firms and notaries public, auditing firms and independent auditors, legal and natural persons involved in the performance of accounting services and tax advisory services shall keep the following records:

1. records on customers, business relationships and transactions referred to in Article 9 of this Law;
2. records on the supplied data referred to in Article 54, paragraph 1 and 2 of this Law.

(3) All reporting entities referred to in Article 4, paragraph 2 of this Law shall keep records on examinations conducted by supervisory bodies referred to in Article 83 of this Law of data, information and documentation referred to in Article 75, paragraph 1 of this Law, which records shall include data as follows:

1. name of the supervisory body;
2. name and surname of the authorised officer who conducted the examination;
3. date and time of data examination.

(4) The Customs Administration Bodies shall keep the following records:

1. records on the declared and undeclared cash entering and leaving in the domestic or foreign currency amounting to kuna equivalent of EUR 10,000.00 or more when crossing the state border;
2. records on cash entering or leaving or attempted cash entering or leaving in the domestic or foreign currency when crossing the state border in an amount below kuna equivalent of EUR 10,000.00 in relation to which there reasons for suspicion of money laundering or terrorist financing had existed.

(5) The Office shall keep the following records:

1. records on persons and transactions referred to in Articles 40 and 42 of this Law;
2. records on persons and transactions referred to in Article 54, paragraphs 1 and 2 of this Law;
3. records on the issued temporary suspicious transactions execution suspension orders referred to in Article 60 of this Law;
4. records on orders issued by the Office on conducting ongoing monitoring of customers financial operations referred to in Article 62 of this Law;
5. records on the received written proposals referred to in Article 64 of this Law;
6. records on the reports referred to in Article 65 of this Law;
7. records on international requests referred to in Articles 68, 69 and 70 of this Law;
8. records on temporary transaction execution suspensions at the proposal of foreign financial intelligence units referred to in Article 71 of this Law and on proposals given to foreign financial intelligence units on temporary transaction execution suspension abroad as referred to in Article 72 of this Law;
9. records on criminal and misdemeanour procedures referred to in Article 82 of this Law;
10. records on the measures taken as referred to in Article 86 and infringements referred to in Article 89 of this Law;
11. records on reporting the Office by competent supervisory bodies referred to in Article 87 of this Law concerning the suspicion of money laundering or terrorist financing.

(6) The contents of records referred to in paragraphs 1, 2 and 4 shall be prescribed by the Minister of Finance in a rulebook.

Statistics Keeping

Article 82

(1) For the purposes of making an assessment of the effectiveness of the overall system for combating money laundering and terrorist financing, the competent State Attorney's Office branches, the competent courts and competent state bodies shall undertake to keep comprehensive statistics and to supply the Office with data on proceedings being run on

the account of money laundering and terrorist financing offences, as well as misdemeanour proceedings being run on the accounts of misdemeanours prescribed by this Law.

(2) The competent courts and the competent State Attorney's Office branches shall undertake to supply the Office twice a year with data on investigation initiation, legal effectiveness of indictments, effectiveness of verdicts for offence of concealment of the illegally obtained monies and terrorist financing, and on other predicate offences in relation with money laundering in the manner and within deadlines to be prescribed by the Minister of Finance in a rulebook.

(3) In the cases involving the completed first-instance misdemeanour proceeding on the account of misdemeanours prescribed by this Law, the Financial Inspectorate shall supply the Office with data in the manner and within deadlines to be prescribed by the Minister of Finance in a rulebook.

(4) Other competent state bodies shall undertake to notify the Office once a year, and no later than by end-January of the current year for the previous year, of the stages of proceedings and measures they took by way of the received suspicious transactions reports referred to in Article 65 of this Law.

CHAPTER VI
SUPERVISION OVER THE REPORTING ENTITIES

Section 1
GENERAL PROVISIONS

Supervisory Bodies and their Actions

Article 83

(1) The supervision of operations of the reporting entities referred to in Article 4, paragraph 2 of this Law concerning the application of this Law and regulations passed on the basis of this Law shall be conducted by the institutions listed hereunder within the framework of their respective scopes of competence:

a) the Office;
b) the Financial Inspectorate of the Republic of Croatia;
c) the Tax Administration;
d) the Croatian National Bank;
e) the Croatian Financial Services Supervision Agency.

(2) Should any of the supervisory bodies referred to in paragraph 1 of this Article establish during the conducting of supervision or in any other manner that grounds shall exist for suspicion that an offence prescribed in this Law was committed, they shall be obliged to file a motion to the Financial Inspectorate and take other measures and actions

legally vested in them.

Section 2
SUPERVISORY BODIES' SCOPES OF COMPETENCE

The Office
Article 84

(1) The Office shall conduct offsite supervision of compliances with this Law with the reporting entities referred to in Article 4, paragraph 2 of this Law via the collection and examination of data, information and documentation supplied as per this Law.

(2) The reporting entities referred to in Article 4, paragraph 2 of this Law shall undertake to supply the Office with data, information and documentation prescribed by this Law, as well as other data the Office shall require for the conducting of supervision without any undue delay, and no later than within 15 days after the receipt of the request.

(3) The Office shall be entitled to require the state bodies, local and regional self-government units and legal persons with public authorities to supply the Office with all data, information and documentation it may require for the conducting of offsite supervision as per this Law and for the initiation of a misdemeanour proceeding.

(4) The Office may coordinate the work of other supervisory bodies and to require them to conduct targeted supervisions.

(5) The Office may sign Agreements of Understanding with other supervisory bodies.

Other Supervisory Bodies

Article 85

(1) The Financial Inspectorate shall conduct supervision of compliance with this Law with all reporting entities referred to in Article 4, paragraph 2 of this Law. The supervision of the reporting entities by the Financial Inspectorate shall be conducted on the basis of money laundering and terrorist financing risk assessment. The Financial Inspectorate shall be entitled to use the assistance from other supervisory bodies in the conducting of supervision of the reporting entities in line with the signed agreements of understanding.

(2) The Tax Administration shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, item 13 of this Law. During the conducting of onsite supervision from its scope of competence, the Tax Administration shall also check whether or not domestic legal and natural persons comply with the prescribed limitation of cash payments in keeping with the provisions contained in

Article 39 of this Law

(3) The Croatian National Bank shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4, paragraph 2, items 1, 2, 3, 4 and 11 of this Law.

(4) The Croatian Financial Services Supervision Agency shall conduct supervision of compliance with this Law with the reporting entities referred to in Article 4 paragraph 2, items 7, 8, 9 and 10 of this Law.

(5) The supervisory bodies referred to in Article 83, paragraph 1 shall be obliged to exchange data and information between each other needed for the supervisory procedures and to communicate the identified irregularities, should such findings be of relevance for the work of another supervisory body.

Section 3
REPORTING THE OFFICE ON THE CONDUCTED SUPERVISION

Reporting on the Identified Irregularities and Measures Taken

Article 86

(1) The supervisory bodies referred to in Article 83, paragraph 1, items b) to e) of this Law shall be obliged to notify the Office in writing without any undue delay, and no later than within 15 days, of the measures taken, the irregularities identified and other significant information, which shall be established through the minutes or other enactment of the supervisory body.

(2) The supervisory body referred to in paragraph 1 of this Article which established an infringement shall also notify other supervisory bodies of the results of its supervision, should the results be of relevance for their work in line with the signed agreements of understanding.

Reporting the Office by the Supervisory Bodies on Suspicion of Money Laundering or Terrorist Financing

Article 87

(1) The supervisory bodies referred to in Article 83, paragraph 1, items b) to e) of this Law shall be obliged to notify the Office in writing without any undue delay of information pointing to the relatedness of a person or a transaction with money laundering or terrorist financing, irrespective of whether they obtained such information during the course of carrying out supervision activities as per this Law or during the conducting of matters from their respective scopes of competence.

(2) In instances when bodies in charge of conducting supervision over the activities of non-profit organisations, save for supervisory bodies referred to in Article 83 of this Law, establish during the conducting of supervision from their scopes of competence that there shall exist reasons for suspicion of money laundering or terrorist financing in relation with the activity of a non-profit organisation, its members or persons related with them, they shall be obliged to notify the Office thereof in writing and without any undue delay

(3) In the cases referred to in paragraphs 1 and 2 of this Article, the Office shall, if it judges that there shall be grounds for suspicion of money laundering or terrorist financing, start collecting and analysing data, information and documentation in keeping with its tasks and scope of competence.

Issuing Recommendations and Guidelines

Article 88

In order for the reporting entities referred to in Article 4, paragraph 2 of this Law to be able to uniformly apply the provisions contained in this Law and the regulations passed on the basis of this Law, the supervisory bodies referred to in Article 83, paragraph 1 of this Law shall independently or in conjunction with other supervisory bodies issue recommendations or guidelines relative to the implementation of individual provisions contained in this Law and regulations passed on the basis of this Law

Competence for Running Misdemeanour Proceedings

Article 89

(1) The Financial Inspectorate of the Republic of Croatia shall make first-instance decisions on misdemeanours prescribed by this Law.

(2) Complaints may be filed with the High Misdemeanour Court of the Republic of Croatia against the decisions made by the Financial Inspectorate of the Republic of Croatia.

(3) The Financial Inspectorate is to furnish the Office with a copy of decisions taken in the first-instance and second-instance misdemeanour proceedings.

CHAPTER VII
PENAL PROVISIONS

Article 90

(1) A pecuniary penalty ranging from HRK 50,000.00 to HRK 700,000.00 shall be imposed on legal persons for the following infringements:

1. failure to develop a risk analysis, i.e. failure to make a risk assessment for individual groups or types of customers, business relationships, products or transactions or failure to make the risk analysis and assessment compliant with guidelines passed by the competent supervisory body (Article 7, paragraph 2, 3 and 5);
2. failure to apply the customer due diligence measures in instances prescribed by this Law (Article 9, paragraph 1 and Article 14, paragraph 4);
3. establishing a business relationship with a customer without conducting a prior customer due diligence (Article 10, paragraph 1);
4. conducting transactions valued at HRK 105,000.00 or greater, i.e. conducting mutually linked transactions reaching a total value of HRK 105,000.00 without prior conducting of the prescribed measures (Article 11);
5. failure to identify and verify customer's identity at customer's entry into a casino or at a point of conducting the transaction at the cash register or at registration of the customer to take part in the system of organising games of chance with the organiser who arrange games of chance on the Internet or other telecommunications means, i.e. electronic communications, i.e. for failure to obtain the prescribed customer information or failing to obtain such information in the prescribed manner (Article 12);
6. if, at conducting wire transfers or cash remittances, fails to collect or include in the form or a message accompanying a wire transfer in the prescribed manner accurate and valid data on the sender, i.e. the order issuer, or if pertinent data fail to follow the transfer at all times throughout the course of the chain of payment (Article 15, paragraphs 1, 2);
7. if a payment services provider, acting as an intermediary or transfer receiver, fails to refuse a wire transfer which does not contain complete payee data or fails to supplement the payee data within a given deadline (Article 15, paragraphs 3);
8. failure to identify a customer or verify the customer's identity, i.e. the identity of a legal representative, a person authorised by power of attorney or the customer's beneficial owner, and failure to obtain documentation prescribed for the purposes of identification or identity verification or the power of attorney in instances when the customer shall conduct transactions by way of a person authorised by power of attorney (Articles 17, 18, 19, 20, 21 and 24);
9. failure to identify a customer or verify the customer's identity at customer's approaching a safe deposit box, i.e. failure to obtain the prescribed customer information or failure to obtain such information in the prescribed manner (Article 22);
10. failure to obtain data on the purpose and intended nature of a business relationship or a transaction within the framework of due diligence and other data required to be obtained as per this Law (Article 25);
11. establishing a business relationship with a customer in instances when the

customer due diligence was conducted by a third person, contrary to this Law and the rulebook to be passed by the Minister of Finance (Article 28);

12. failure to conduct the prescribed measures and additionally obtain data, information and documentation or failure to obtain them in the prescribed manner at establishing a correspondent relationship with a bank or other credit institution seated in a third country (Article 31, paragraphs 1 and 3);
13. entering into or extending a correspondent relationship with a bank or other credit institution seated in a third country, contrary to the provisions contained in this Law (Article 31, paragraph 4);
14. failure to obtain data on the source of funds and property at entering into a business relationship with or conducting a transaction for a person who shall be foreign politically exposed person, which funds and property are or will be the subject matter of the business relationship or the transaction, or failure to obtain such data in the prescribed manner (Article 32, paragraph 7, item 1);
15. failure to apply one or several additional measures, in addition to the measures contained in Article 8, paragraph 1 of this Law, within the framework of the enhanced customer due diligence for the purpose of identification and identity verification of a customer who is not physically present (Article 33, paragraphs 1 and 2);
16. conducting a simplified customer due diligence under circumstances which shall mandatorily require the conducting of the enhanced due diligence because of entering into a correspondent relationship with a bank or other credit institution seated abroad (Article 31, paragraph 1 and Article 35, paragraph 2);
17. failure to obtain the required customer data within the framework of the simplified customer due diligence or failure to obtain such data in the prescribed manner (Article 36);
18. opening, issuing or keeping anonymous customer accounts, coded or bearer passbooks, i.e. accounts or passbooks in the name but containing no additional personal information or accounts registered at false names, i.e. other anonymous products (Article 37);
19. entering into or extending correspondent relationships with a bank which shall operate or might operate as a shell bank or with a credit institution known to enter account opening and keeping agreements with shell banks (Article 38);
20. receiving from a customer or a third person cash collection in an amount exceeding HRK 105,000.00, i.e. an amount exceeding EUR 15,000.00 in the arrangements with non-residents, i.e. receiving the collection in several mutually linked cash transactions jointly exceeding a total amount of HRK 105,000.00, i.e. exceeding the value of EUR 15,000.00 (Article 39, paragraphs 1 and 2);
21. failure to refrain from the conducting of a transaction for which the entity shall know or suspect to be connected with money laundering or terrorist financing, failure to notify the Office of such transaction before its execution, and failure to indicate in the report the reasons for suspicion, the deadline within which the transaction is to be executed and other prescribed data or failure to notify the Office of the customer with which they terminated a business relationship or for whom they refused to conduct a transaction due to the inability to conduct the prescribed measures (Article 42 and Article 13, paragraph 2);

22. failure to supply the Office within the prescribed period with the required data, information and documentation on a transaction or a person for which there shall exist reasons for suspicion of money laundering or terrorist financing or failure to comply with the Office's authorised person's request to enable such a person exercise direct examination of the documentation at the legal person's business premises (Article 59, paragraphs 2, 3, 4, 5, 6, 7 and 9);
23. failure to comply with the temporary transaction suspension order as issued by the Office or failure to comply with the instruction on the course of action in relation to persons to which the temporary transaction suspension shall pertain (Article 60 and Article 71, paragraph 1);
24. failure to comply with the order for ongoing monitoring of a customer's financial operations as issued by the Office (Article 62, paragraphs 1, 2 and 3);
25. failure to close within the prescribed deadline the anonymous accounts and coded or bearer passbooks and all other anonymous products enabling the concealment of the customer identity, which were opened before the effective date of this Law or failure to conduct customer due diligence (Article 103).

(2) A pecuniary penalty ranging from HRK 6,000.00 to HRK 30,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article.

(3) A pecuniary penalty ranging from HRK 35,000.00 to HRK 450,000.00 shall be imposed on a natural person craftsman or a natural person involved in other independent business activity for the infringements referred to in paragraph 1 of this Article.

Article 91

(1) A pecuniary penalty ranging from HRK 40,000.00 to HRK 600,000.00 shall be imposed on legal persons for the following infringements:

1. failure to ensure the conducting of the money laundering and terrorist financing detection and prevention measures defined in this law in its business units and subsidiaries seated in a third country (Article 5, paragraph 1);
2. failure to carry out all the prescribed customer due diligence measures or failure to carry them out in line with the procedure defined in their internal enactments and failure to define the measures conducting procedures in internal enactment (Article 8, paragraphs 1 and 2);
3. failure to obtain a written statement of a customer, the customer's legal representative or person authorised by power of attorney in instances when suspicion shall exist as to the veracity of data or credibility of documents serving as the foundation for identifying the customer, the customer's legal representative or the person authorised by power of attorney prior to the establishment of a business relationship or conducting a transaction (Article17, paragraph 5, Article 18, paragraph 5, Article 19, paragraph 2, Article 20, paragraph 5 and Article 21,

paragraph 4);

4. failure to apply the prescribed measures in customer business activities monitoring (Article 26, paragraph 2);
5. failure to conduct a repeated annual foreign legal person customer due diligence, i.e. failure to obtain the prescribed data and documents or failure to obtain them in the prescribed manner (Article 27, paragraphs 1, 2, 3, 4, 5, 6 and 7);
6. conducting a transaction for a foreign legal person without conducting the repeated annual customer due diligence (Article 27, paragraph 8);
7. entrusting a third person with conducting the customer due diligence without checking whether or not such third person meets all the requirements prescribed by this Law (Article 28, paragraph 2);
8. accepting due diligence conducted by a third person as adequate, which third person conducted the customer identification and identity verification measure without the customer's physical presence (Article 28, paragraph 3);
9. entrusting a third person with conducting customer due diligence, which third person fails to meet requirements as prescribed in the rulebook to be passed by the Minister of Finance (Article 28, paragraph 6);
10. failure to provide for the foreign politically exposed persons identification procedure in its internal enactment (Article 32, paragraph 2);
11. failure to exercise due care monitoring of transactions and other business activities performed by a foreign politically exposed person with the legal person after entering into a business relationship with a person who shall be a politically exposed person (Article 32, paragraph 7, item 3);
12. establishing a business relationship with a customer who shall not be physically present at identification, without adopting a measure to ensure that the first payment be conducted through the account the customer has with the credit institution before the execution of any further customer's transaction (Article 33, paragraph 3);
13. for failure to put policies and procedures in place for monitoring the money laundering or terrorist financing risk which may stem from new technologies enabling anonymity (Internet banks, ATM use, tele-banking, etc.) or for failure to take measures aimed at preventing the use of new technologies for the money laundering and/or terrorist financing purposes (Article 34 paragraphs 1);
14. for failure to put policies and procedures in place for the risk attached with a business relationship or transactions with non face to face customers or for failure to apply them at the establishment of a business relationship with a customer and during the course of conducting customer due diligence measures (Article 34 paragraph 2).
15. failure to supply the Office within the prescribed period with data on a transaction being conducted in cash in an amount of HRK 200,000.00 or greater (Article 40, paragraph 1, 2 and 3);
16. failure to appoint the authorised person and one or several authorised person's deputies for the purpose of performing money laundering and terrorist financing detection and prevention matters, as laid down in this Law and regulations passed on the basis of this Law (Article 44);
17. failure to assign proper authorities to the authorised person and ensure the

conditions for the performance of the authorised person's matters and tasks (Article 47);

18. failure to produce a list of indicators for the detection of customers and transactions for which there shall exist reasons for suspicion of money laundering or terrorist financing, or failure to produce such a list in the prescribed manner and within the prescribed period (Article 41, and Article 101, paragraph 2);
19. failure to pass an internal enactment providing for measures, actions and proceedings for the purpose of money laundering and terrorist financing prevention and detection, failure to provide for the responsibility of the authorised persons and other employees in charge of this Law implementation, and failure to supply the Office with a copy of the internal enactment at Office's request (Article 48);
20. failure to keep data and documentation during the period of ten years upon the transaction execution, i.e. the business relationship termination, the entry of a customer to a casino or approaching a safe deposit box (Article 78, paragraph 1);
21. failure to conduct a check of all existing customers within the prescribed period, in relation to which customers there shall or might exist a high money laundering or terrorist financing risk, in accordance with the provisions contained in article 7 of this Law (Article 102);
22. failure to stop correspondent relationships incompliant with the provisions contained in this Law within the prescribed period (Article 104).

(2) A pecuniary penalty ranging from HRK 3,000.00 to HRK 15,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article.

(3) A pecuniary penalty ranging from HRK 15,000.00 to HRK 150,000.00 shall be imposed on a natural person craftsman or a natural person involved in other independent business activity for the infringements referred to in paragraph 1 of this Article.

Article 92

(1) A pecuniary penalty ranging from HRK 25,000.00 to HRK 400,000.00 shall be imposed on legal persons for the following infringements:

1. failure to notify the Office of the fact that legal regulations in force in a third country where business units or subsidiaries of the legal person shall be located shall not allow the conducting of money laundering detection and prevention measures to the extent prescribed in this Law, i.e. failure to pass adequate measures for the elimination of the money laundering or terrorist financing risk (Article 5, paragraph 2);
2. failure to familiarise their business units and companies in which they hold majority stake or majority decision-making right seated in a third country with internal procedures pertaining to money laundering and terrorist financing

prevention and detection (Article 5, paragraph 3);

3. failure to examine the nature of the register of customer's registration at a point of verifying the identity of the legal person (Article 18, paragraph 6);
4. failure to ensure the alignment between the customer's business activities monitoring measures and the money laundering or terrorist financing risk the legal person shall be exposed to in conducting an arrangement or in doing business with a customer (Article 26, paragraph 3);
5. failure to use the list of indicators during establishing reasons for suspicion of money laundering or terrorist financing (Article 41, paragraph 3);
6. failure to supply the Office within the prescribed period with data on the appointment of the authorised person and the authorised person's deputy and any change thereof (Article 44, paragraph 2);
7. failure to make sure that the assignments of an authorised person and authorised person's deputy shall be performed by a person meeting the prescribed requirements (Article 45, paragraph 1);
8. failure to ensure regular professional development and training of all employees involved in the money laundering and terrorist financing prevention and detection matters as per this Law (Article 49, paragraph 1);
9. failure to produce an annual professional development and training plan pertinent to the money laundering and terrorist financing prevention and detection within the prescribed period (Article 49, paragraph 3);
10. failure to ensure regular internal audit of conducting the arrangements over the execution of money laundering and terrorist financing detection tasks as per this Law (Article 50);
11. failure to keep data and accompanying documentation on the authorised person and the authorised person's deputy, professional training of employees and the conducting of internal control within the prescribed period (Article 78, paragraph 2);
12. failure to keep records on customers, business relationships and transactions, and on the supplied data and examinations of data, information and documentation conducted by the supervisory bodies or for keeping inaccurate or incomplete records (Article 81, paragraphs 1, 3 and 6);

(2) A pecuniary penalty ranging from HRK 1,500.00 to HRK 8,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article.

(3) A pecuniary penalty ranging from HRK 8,000.00 to HRK 80,000.00 shall be imposed on a natural person craftsman or a natural person involved in other independent business activity for the infringements referred to in paragraph 1 of this Article.

Article 93

(1) A pecuniary penalty ranging from HRK 50,000.00 to HRK 300,000.00 shall be imposed on a bank and other financial institutions should they fail to ensure within their

respective computer systems such programme solutions to enable them to fully and timely respond to the requests of the Office (Article 6, paragraph 2, item 9).

(2) A pecuniary penalty ranging from HRK 3,000.00 to HRK 10,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article.

Article 94

(1) A pecuniary penalty ranging from HRK 40,000.00 to HRK 400,000.00 shall be imposed on a legal person who performed customer due diligence *in lieu* of the reporting entity, should it fail to report the Office of the transactions in relation to which there shall exist suspicion of money laundering or terrorist financing or should it be incompliant with the requirement of keeping data and documentation prescribed by this Law (Article 28, paragraph 4).

(2) A pecuniary penalty ranging from HRK 3,000.00 to HRK 15,000.00 shall be imposed on members of management board or other legal person's responsible person for the infringements referred to in paragraph 1 of this Article.

Article 95

(1) A pecuniary penalty ranging from HRK 1,500.00 to HRK 8,000.00 shall be imposed on a responsible person who shall enter into a correspondent relationship on behalf of the reporting entity with a bank or a similar credit institution seated in a third country without obtaining a prior written consent from the superior (Article 31, paragraph 2).

(2) A pecuniary penalty ranging from HRK 1,500.00 to HRK 8,000.00 shall be imposed on a responsible person who shall establish a business relationship on behalf of the reporting entity with a customer who shall be a politically exposed person without obtaining a prior written consent from the superior (Article 31, paragraph 7, item 2).

(3) A pecuniary penalty ranging from HRK 15,000.00 to HRK 80,000.00 shall be imposed on a bank or other legal person on whose behalf the responsible person entered into an agreement or established another business relationship for the infringements referred to in paragraphs 1 and 2 of this Article.

Article 96

(1) A pecuniary penalty ranging from HRK 60,000.00 to HRK 400,000.00 shall be imposed on an auditing firm and an independent auditor, should they conduct a simplified customer due diligence in spite of the fact that there shall exist reasons for suspicion of money laundering or terrorist financing in relation to a customer or circumstances of an

audit (Article 53, paragraph 8).

(2) A pecuniary penalty ranging from HRK 6,000.00 to HRK 30,000.00 shall be imposed on members of management board of or other responsible person in the auditing firm or a firm rendering accounting services or tax advisory services for the infringements referred to in paragraph 1 of this Article.

Article 97

(1) A pecuniary penalty ranging from HRK 50,000.00 to HRK 300,000.00 shall be imposed on a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services for the following infringements:

1. failure to obtain all prescribed data within the framework of customer due diligence, i.e. failure to obtain all prescribed data or data on the purpose and intended nature of the business relationship or the transaction, data on the source of money or other prescribed data (Article 53, paragraphs 1, 2 and 3);
2. failure to identify the customer, i.e. a customer's legal representative, a person authorised by power of attorney or the beneficial owner or for failure to gather information of these persons' identity in the prescribed manner (Article 53, paragraph 4);
3. failure to notify the Office within the prescribed period or in the prescribed manner concerning a transaction, an intended transaction or a customer in relation to which there shall exist reasons for suspicion of money laundering or terrorist financing (Article 54, paragraphs 1 and 3);
4. failure to notify the Office within the deadlines of a customer who sought for a money laundering or terrorist financing related advice (Article 54, paragraph 2);
5. failure to notify the Office of a cash transaction under circumstances in which there shall exist reasons for suspicion of money laundering or terrorist financing in relation with the transaction or customer (Article 55, paragraph 3);
6. failure to comply with the request of the Office to supply the required data information and documentation within the prescribed deadline in relation with a transaction or a person for which the Office had judged that there shall exist reasons for suspicion of money laundering or terrorist financing (Article 59, paragraphs 2, 5, 6 and 7);
7. failure to keep data obtained on the basis of Article 53 of this Law and the accompanying documentation for the period of ten years after the conducting of customer due diligence (Article 78, paragraph 3).

(2) A pecuniary penalty ranging from HRK 30,000.00 to HRK 200,000.00 shall be imposed on a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services for the following infringements:

1. failure to identify the beneficial owner of a customer which shall be a legal person or a similar entity subject to foreign law, i.e. failure to obtain the prescribed data

or failure to obtain them in the prescribed manner (Article 53, paragraphs 5, 6 and 7);
2. failure to produce a list of indicators for the detection of customers and transaction for which there shall exist reasons for suspicion of money laundering or terrorist financing or failure to produce the list of indicators in the prescribed manner or within the prescribed deadline (Article 41 and Article 101**,** paragraph 2);
3. failure to supply the Office with data, information and documentation within the prescribed deadline and in the prescribed manner concerning the performance of their assignments as per this Law or other data necessary for conducting supervision (Article 59, paragraphs 3, 4, 5, 6 and 7).

(3) A pecuniary penalty ranging from HRK 25,000.00 to HRK 180,000.00 shall be imposed on a lawyer, a law firm, a notary public, an auditing firm, an independent auditor, as well as a legal and a natural person rendering accounting services or tax advisory services for the following infringements:

1. failure to provide regular professional development and training of employees involved in the performance of money laundering and terrorist financing prevention and detection matters as per this Law (Article 49, paragraph 1);
2. failure to develop an annual professional development and training plan in the filed of money laundering and terrorist financing prevention and detection field within the prescribed deadline (Article 49, paragraph 3);
3. failure to notify the Office in writing of reasons for the non-observance of a request for the supply of data, information and documentation on a transaction or a customer in relation with which there shall exist reasons for suspicion of money laundering or terrorist financing or failure to do so within the prescribed deadline (Article 55, paragraph 2);
4. failure to use the list of indicators at establishing reasons for suspicion of money laundering or terrorist financing and other circumstances thereof (Article 41, paragraph 3);
5. failure to keep data and accompanying documentation on professional training for the period of four years after the training delivery (Article 78, paragraph 4);
6. failure to keep records on customers, business relationships and transactions, as well as on the supplied data and the conducting of examinations of supervisory bodies of data, information and documentation, i.e. for keeping inaccurate or incomplete records (Article 81, paragraphs 2 and 3);

(4) A pecuniary penalty ranging from HRK 5,000.00 to HRK 20,000.00 shall be imposed on members of management board or other legal person’s responsible person for the infringements referred to in paragraphs 1, 2 and 3 of this Article.

Article 98

A pecuniary penalty ranging from HRK 10,000.00 to HRK 50,000.00 shall be imposed on a responsible person in a state administration body or in a local and regional self-

government unit should they fail to supply the Office within the prescribed deadline and in the prescribed manner with the requested data, information and the documentation required by the Office for supervisory purposes (Article 63, paragraph 3).

Article 99

(1) In instances when a special law shall envisage the issuance of an approval for the performance of certain arrangements, the competent body shall be entitled to recall the approval for the performance of such arrangements from legal or natural persons in breach of the provisions contained in this Law.

(2) The measure referred to in paragraph 1 of this Article may be applied for the period of three months to one year.

Article 100

(1) The misdemeanour proceedings for the infringements envisaged by this Law may not be commenced after the expiration of three years from the date of the infringement.

(2) The statute of limitations shall become effective in all instances when there shall expire six years after the infringement.

CHAPTER VIII
TRANSITIONAL AND FINAL PROVISIONS

Bylaws and the List of Indicators

Article 101

(1) The Minister of Finance shall undertake to pass the regulations under his remit as per this Law within a maximum period of 6 months after this Law enters into force.

(2) The reporting entities referred to in Article 4, paragraph 2 of this Law shall undertake to produce a list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering and terrorist financing shall exist no later than within three months after the effective date of this Law.

(3) The list of indicators for the detection of suspicious transactions and customers in relation to which reasons for suspicion of money laundering and terrorist financing shall exist that the reporting entities referred to in Article 4, paragraph 2 of this Law had applied on the basis of the Anti-Money Laundering Law (Official Gazette of the

Republic of Croatia *Narodne novine* No. 69/97, 106/97, 67/01, 114/01, 117/03 and 142/03) and the Rulebook on the Anti-Money Laundering Law Implementation (*Narodne novine* No. 189/03) shall remain in force until the passage of the list referred to in paragraph 2 of this Article.

Existing Customers Due Diligence

Article 102

The reporting entities referred to in Article 4, paragraph 2 of this Law shall undertake to conduct due diligence of all existing customers within one year after the effective date of this Law, for which existing customers the reporting entities shall establish on the basis of Article 7 of this Law that a money laundering or terrorist financing risk shall or might exist.

Compliance in terms of Anonymous Products

Article 103

(1) The reporting entities shall be obliged to close all anonymous accounts, coded or bearer passbooks as well as all other anonymous products, including accounts registered to false names that directly or indirectly enable the concealment of customers' identity within 30 days upon the effective date of this Law.

(2) By way of derogation from the provisions contained in Article 37 of this Law, for those anonymous accounts, coded or bearer passbooks as well as all other anonymous products, including accounts registered to false names whose owners may not be established, and which anonymous products shall exist at the effective date of this Law, the reporting entities shall be obliged to conduct customer or other product user due diligence, in keeping with the provisions of Article 8 of this Law, during the first transaction that the customer or another user shall conduct on the basis of such products.

Compliance of the Reporting Entities

Article 104

The reporting entities shall undertake to make their operations compliant with the provisions contained in Article 38 of this Law within the period of the six months from the effective date of this Law.

Effects of the Law entry into force

Article 105

(1) With the effective date of this Law, the Anti-Money Laundering Law (Official Gazette of the Republic of Croatia *Narodne novine* No. 69/97, 106/97, 67/01, 114/01, 117/03 and 142/03) shall become null and void.

(2) The Rulebook on the Anti-Money Laundering Law Implementation (Official Gazette of the Republic of Croatia *Narodne novine* No. 189/03) shall remain in force until the passage of regulations referred to in Article 101, paragraph 1 of this Law, in the sections not contrary to the provisions of this Law.

Entry into Force

Article 106

This Law shall be published in the Official Gazette of the Republic of Croatia *Narodne novine*, and shall enter into force as at 1 January 2009.

Class: 215-01/08-01/01
Zagreb, 15 July 2008

CROATIAN PARLIAMENT
Speaker of the
Croatian Parliament
Luka Bebić, signed