COMMITTEE OF EXPERTS ON THE EVALUATION
OF ANTI-MONEY LAUNDERING MEASURES AND
THE FINANCING OF TERRORISM (MONEYVAL)

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Anti-money laundering and counter-terrorist financing measures

Croatia

1st Enhanced Follow-up Report & Technical Compliance Re-Rating

December 2023

Follow-up report

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Through a dynamic process of mutual evaluations, peer review and regular follow-up of its reports, MONEYVAL aims to improve the capacities of national authorities to fight money laundering and the financing of terrorism more effectively.

The 1st Enhanced Follow-up Report and Technical Compliance Re-Rating on Croatia was adopted by the MONEYVAL Committee through written procedure (7 December 2023).

Croatia: 1st Enhanced Follow-up Report

I. INTRODUCTION

1. The mutual evaluation report (MER) of Croatia was adopted in December 2021. Given the results of the MER, Croatia was placed in enhanced follow-up.[1] The report analyses the progress of Croatia in addressing the technical compliance (TC) deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. Overall, the expectation is that countries will have addressed most if not all TC deficiencies by the end of the third year from the adoption of their MER.

2. The assessment of Croatia request for technical compliance re-ratings and the preparation of this report were undertaken by the following Rapporteur teams (together with the MONEYVAL Secretariat):

- Israel
- San Marino
- Guernsey
- Poland

3. Section II of this report summarises Croatia's progress made in improving technical compliance. Section III sets out the conclusion and a table showing which Recommendations have been re-rated.

II. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

4. This section summarises the progress made by Croatia to improve its technical compliance by addressing the technical compliance deficiencies identified in the MER for which the authorities have requested a re-rating (R.1, R.2, R.10, R.13, R.15, R.17, R.22, R.23, R.24, R.32 and R.40).

5. For the rest of the Recommendations rated as Partially compliant (PC) (R.6, R.7, R.8, R.18, R.33, R.35, R.36 and R.38) the authorities did not request a re-rating. However, Croatia has reported some progress in relation to R.11, R.18, R.20, R.21, R.26 and R.28 that was considered when re-assessing the requested recommendations.

6. This report takes into consideration only relevant laws, regulations or other anti-money laundering and combating the financing of terrorism (AML/CFT) measures that are in force and effect at the time that Croatia submitted its country reporting template – at least six months before the follow-up report (FUR) is due to be considered by MONEYVAL.[2]

II.1 Progress to address technical compliance deficiencies identified in the MER and applicable subsequent FURs

7. Croatia has made progress to address the technical compliance deficiencies identified in the MER. As a result of this progress, Croatia has been re-rated on Recommendations 10, 13, 17, 22, 23, 32 and 40. The country asked for a number of re-ratings for other Recommendations 1, 2, 15 and 24

1. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up involves a more intensive process of follow-up.
2. This rule may be relaxed in the exceptional case where legislation is not yet in force at the six-month deadline, but the text will not change and will be in force by the time that written comments are due. In other words, the legislation has been enacted, but it is awaiting the expiry of an implementation or transitional period before it is enforceable, in all other cases the procedural deadlines should be strictly followed to ensure that experts have sufficient time to do their analysis.

which are also analysed however insufficient progress has been made to justify an upgrade of these Recommendations ratings.

8. Annex A provides the description of country's compliance with each Recommendation that is reassessed, set out by criterion, with all criteria covered. Annex B provides the consolidated list of remaining deficiencies of the re-assessed Recommendations.

III. CONCLUSION

9. Overall, in light of the progress made by Croatia since its MER was adopted, its technical compliance with the Financial Action Task Force (FATF) Recommendations has been re-rated as follows:

Table 1. Technical compliance with re-ratings, December 2023

R.1	R.2	R.3	R.4	R.5
PC (FUR1 2023) ~~PC~~	PC (FUR1 2023) ~~PC~~	LC	LC	LC
R.6	R.7	R.8	R.9	R.10
PC	PC	PC	C	**LC (FUR1 2023)** ~~PC~~
R.11	R.12	R.13	R.14	R.15
LC	LC	**C (FUR1 2023)** ~~PC~~	LC	PC (FUR1 2023) ~~PC~~
R.16	R.17	R.18	R.19	R.20
LC	**LC (FUR1 2023)** ~~PC~~	PC	LC	LC
R.21	R.22	R.23	R.24	R.25
LC	**LC (FUR1 2023)** ~~PC~~	**LC (FUR1 2023)** ~~PC~~	PC (FUR1 2023) ~~PC~~	LC
R.26	R.27	R.28	R.29	R.30
LC	LC	LC	C	C
R.31	R.32	R.33	R.34	R.35
LC	**LC (FUR1 2023)** ~~PC~~	PC	C	PC
R.36	R.37	R.38	R.39	R.40
PC	LC	PC	LC	**LC (FUR1 2023)** ~~PC~~

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

10. Croatia will remain in enhanced follow-up and will continue to report back to MONEYVAL on progress achieved in improving the implementation of AML/CFT measures in December 2024.

Annex A: Reassessed Recommendations

Recommendation 1 – Assessing risks and applying a risk-based approach

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[PC] (upgrade requested, maintained at PC)

1. The requirements on assessment of risk and application of the risk-based approach were added to the FATF Standards with the last revision and so were not assessed in the previous mutual evaluation of Croatia.

2. **Criterion 1.1** – Croatia completed the first National Risk Assessment (NRA) of money laundering (ML) and terrorist financing (TF) in 2016. In 2018 Croatia initiated update of the NRA using the same methodology. The Government adopted the updated report in June 2020. When conducting the NRA Croatia took into account the outcomes of the EU Supra-national risk assessment. NRAs benefited from the input from all key AML/CFT authorities in the country. Nevertheless, the Corruption Prevention Sector of the Ministry of Justice and Administration, was not involved in the assessment, and the NRAs did not benefit from their input when considering the level of corruption risk. The private sector participation varied. Major market players took part in person, others through questionnaires, and some sectors were represented by their self-regulatory bodies.

3. Croatia relied of the World Bank tool when assessing the ML/TF risks. Inflexible and inadequate application of certain aspects of the methodology for the 2020 NRA affected findings on the vulnerabilities of the sectors. The assessment of the ML/TF risks in 2020 was impacted by lack of quantitative data and use of diverse information sources when assessing risks (e.g., the main ML threats are identified basing the conclusions on the empirical knowledge of authorities – general expertise and perception of the law enforcement agencies (LEAs). As a consequence, this affected the reasonableness of assessment of risks level of certain sectors. The NRA did not assess and did not take into account a number of important vulnerabilities in the system, such as shortage of human resources, etc. (see Immediate Outcome 1)

4. ML/TF assessment in the NRA is expressed in terms of global ratings for banking, other FI, designated non-financial businesses and professions (DNFBP), securities and insurance sectors. Sub-sectors have no specific ML/TF risk assessment but are given vulnerability scores. While the conclusion of the NRA in terms of the relative vulnerability positioning between the sectors (with higher vulnerability sub sectors of money or value transfer service, Games of chance on slot machines, Betting Games (medium high); Lawyers and law firms and then all with equal rating (medium) authorised exchange offices, external accountants and tax advisors) may be appropriate, the level of residual risk attributable to sectors and subsectors does not seem reasonable in all cases adversely impacts the ML risk assessment in these sectors.

5. The banking sector is the most material in Croatia and described in the NRA as the most "commonly misused sector", the two areas of highest vulnerability are consumer transactions accounts (medium high) and non-consumer accounts (high) which aligns with the identified threats. The Banking sector was considered the relatively highest risk financial services sector which is supported by the NRA indicating that "a significant number of ML activities begin or at some stage go through the banking sector.

6. The assessment of the DNFBPs suffered from the inflexible use of the tool. Certain sectors were grouped together, and controls were globally assessed, in circumstances where there were distinct variations across the different types of DNFBPs. This approach was queried by the sector representatives.

7. Vulnerabilities in relation to TF are treated identically to ML across each sector, which does not appear to align with the country's context. In addition, where this NRA includes some assessment of TF risk, the information and analysis on which observations and conclusions are based are not clearly identified. Identification and assessment of the TF risks is not sufficient. ML/TF risks in some areas were not appropriately explored (see Immediate Outcome 1).

8. Drafting of an updated version of the NRA began in the last quarter of 2022, which is expected to be adopted by the end of 2023, using a new risk assessment methodology.

9. **Criterion 1.2** – Responsibility for assessment of national ML/TF risks falls with the Inter-Interinstitutional Working Group for the Prevention of ML/TF (IIWG), (Anti-Money Laundering and Terrorist Financing Law (AMLTFL), Art.5(3)). The IIWG activities and the membership are regulated by the AMLTFL and the Protocol on Co-operation and Establishment of IIWG.

10. **Criterion 1.3** – The AMLTFL sets out the legal requirement for Croatia to carry out the NRA every four years, or earlier if deemed necessary (Art.5(1)).

11. **Criterion 1.4** – The Anti-Money Laundering Office (AMLO) should make results of the NRA available to all reporting entities (REs) and competent authorities, without delay (AMLTFL, Art.6(3)). Both NRAs are published on the website of the Ministry of Finance (MoF).[3]

12. **Criterion 1.5** – The AMLTFL sets out the areas for use of the NRA outcomes, this, among others includes allocation of resources and improving the applied preventative measure (Art. 6(2)).

13. On the basis of the two NRAs (from 2016 and 2020) Croatia developed the respective Action Plans which include measures aimed at mitigating the identified ML/TF risks. Both documents include the allocation of resources within relevant authorities and the implementation of other measures to prevent and mitigate ML/TF.

14. Action Plan from 2016 contains detailed and clear actions aimed at mitigating identified ML/TF risks. Many of the measures, especially in the supervisory field and the area of strengthening implementation of preventative measures were accomplished. Some actions, such as insufficient capacities of the State Attorney's Office (SAO) and financial investigators remained unachieved up to now, despite the steps been taken by the authorities. The Tax Administration (TA) of their own volition split their capacity into tax investigations and economic crime/AML investigations to improve their efficiency and performance.

15. The 2020 Action plan is non-contentious and does not tackle the fundamental issues raised across the two risk assessments, such as lack of successful ML/TF prosecutions, lack of measures regarding detection and confiscation, the need for further training of the judiciary, law enforcement and investigators, inability to secure an adequate number of personnel in the financial inspectorate, addressing barriers to recruitment of financial investigators, etc.

16. When the 2023 NRA is completed, it should also include a new Action Plan for mitigation of the identified vulnerabilities and risks.

3. Available at https://mfin.gov.hr/istaknute-teme/ured-za-sprjecavanje-pranja-novca/akcijski-plan-za-smanjenje-identificiranih-rizika-od-pranja-novca-i-financiranja-terorizma-u-republici-hrvatskoj/2715.

17. **Criterion 1.6** –

(a) The AMLTFL provides for a limited exemption in relation to electronic money. REs are permitted not to apply certain customer due diligence (CDD) requirements based on an appropriate risk assessment indicating that the risk is low provided that certain mitigating conditions are met (e.g., limited re-loadability and lack of anonymity) (Art.18). This exemption was directly transposed from the 5th AML Directive without conducting risk assessment.

At the time of the MER, there were two types of reporting entities that were not properly designated and hence the FATF Recommendations did not apply to them: (i) external accountants for the situations covered under Recommendation (R.) 22 criterion 1(d); and (ii) certain types of virtual assets service providers (VASPs). Amendments to the AMLTFL that came into force on 1 January 2023 include external accountants when providing the services under c.22.1(d) (Art.9.2.18(c)) as reporting entities and extend the scope of covered VASPs (Art.9.2.19). While the provision of "transfer of virtual assets" services itself is not exempted from the application of CDD, it is, however, absent from the VASP definition (see R.15).

(b) The AMLTFL is not applicable to financial activities if they are conducted on an occasional or very limited basis (e.g., accounting for no more than 5% of the turnover in any accounting period, and with a EUR 1,000 threshold for each individual transaction, etc.) (AMLTFL, Art.10). According to amendments to Art.10(3) of the AMLTFL, in force since January 2023, this exemption cannot be applied to any providers of money value services covered under Article 9 of the same law or to organisers of games of chance (Art.9.16), Trust and Company Services Providers (TCSPs) (Art.9.17(f)), real estate agents (Art.9.17(j)), auditors and auditing firms, external accountants, tax advisors and tax advisory companies, lawyers, law firms and notaries (Art.9.18) and covered VASPs (Art.9.19). Croatia advised that there were only 3 REs benefiting from this exception and that the Financial Inspectorate has individually assessed these 3 REs as being at a low level of risk. Croatia has presented statistical data on the turnover of these 3 entities for 2019-2020, which confirm the size of the business is in line with the AMLTFL, and confirmed that, for the period of 2021-2022, has not received any new requests for this exemption to be applied. All these proves that the exemption is applied in limited instances. But the exemption is applied not from some requirements under AMLTFL but from all.

18. **Criterion 1.7** – The findings of the NRA among others are used to determine the areas of higher ML/TF risks (AMLTFL, Art.6(2)). Croatia meets this criterion through the option (a).

(a) REs are obliged to conduct enhanced customer due diligence measures to appropriately manage and mitigate ML/TF risks when "higher" ML/TF risk has been established by the NRA. This includes application of enhanced CDD (EDD) when dealing with correspondent relationships, politically exposed persons (PEPs), high-risk jurisdictions, bearer shares, high-risk customers, complex and unusual transactions, or when there is a suspicion of ML (AMLFT Act, Art. 44).

In 2018 in response to risks highlighted in the 2016 NRA, Croatia adopted specific measures to prevent misuse of cash, and mitigate ML threats, such as corruption. These measures are respectively: (i) reducing the CDD threshold for Authorised Exchange Offices and Dealer in Precious Metal Stones (DPMS) to HRK 15,000 (EUR 2,000); (ii) requiring that REs to collect information on the source of funds when conducting a cash transaction in the amount of HRK 200,000 (EUR 27,000) and more; and (iii) expanding the definition of PEPs to include municipality prefects, mayors, county prefects and their deputies elected on the basis of the

Act regulating local elections in Croatia.[4] The 2020 NRA recommends that this threshold be further reduced for authorised exchange offices, which is not included in the 2020 NRA Action Plan. When the 2023 NRA is completed, it should also include a new Action Plan.

(b) REs are obliged to take into account in their risk assessment the outcomes of the NRA (AMLTFL, Art.12(5)).

19. **Criterion 1.8** – The findings of the NRA among others are used to determine the areas of lower ML/TF risks (AMLFT Law, Art.6(2)). REs may conduct simplified CDD if they have estimated that the customer represents a "low" rather than "lower" ML/TF risk which is a higher standard than required by the FATF. When deciding such, they must take into consideration the results of the NRA, but not required to ensure consistency with NRA (AMLFT Law, Art. 43 (1-2)). The AMLFT Law sets out measures that may be applied when simplified CDD is considered (Art. 43(3)). The simplified CDD is not allowed when specific higher risk scenarios apply (AMLFT Law, Art. 43(5)).

20. **Criterion 1.9** – The AMLTFL determines the supervisory authority for each category of financial institution (FI) and DNFBP (AMLTFL, Art.81(1)). Supervisory authorities are required to supervise the application of the AMLTFL (Art 82 (1-2), (5-6)). This includes implementing REs' obligations under R.1. Regarding deficiencies identified under R.26 and R.28, Croatia has increased its efforts in relation to onsite and off-site supervision, even if some minor concerns regarding the implementation of a risk-based approach remain. Since the MER, the Croatian Financial Services Supervisory Agency (CFSSA) conducted 15 onsite supervisions, targeting VASPs (6), insurance companies (3), investment companies (2) and asset management companies (4), as well as 192 off-site inspections of all REs (c.26.5(a)-(c)). TA conducted 16 on-site inspections and, as of March 2023, 3 more were ongoing, based on the entities' risk assessment informed by offsite supervision (c.28.5). Additionally, in relation to c.28.2, the Financial Inspectorate has the statutory powers to carry out the supervision of the UN TFS as well, after amendments of the International Restrictive Measures Law (IRM Law) in June 2021. Deficiencies in relation to c.26.4(a) and group supervision still apply.

21. **Criterion 1.10** – REs are required to conduct an assessment of ML/TF risks related to customers, countries or geographic areas, products, services or transactions, and delivery channels (AMLTFL, Art. 12(1)). The risk assessment should be proportionate to the size of RE, type, scope and complexity of its business operations (AMLTFL, Art. 12(3)).

(a) Document their risk assessments – REs are obliged to document their risk assessment (AMLTFL, Art. 12(3)). Competent supervisory authorities may determine that individual documented risk assessments are not required for a specific sector of the RE if certain risks characteristic for that sector are clear and understood by that sector (AMLTFL, Art. 12(4)).

(b) Consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied – REs are required to consider a broad scope of risk factors. This also includes assessment of the mitigation measures, actions and procedures undertaken by the RE (AMLTFL, Art. 12(2)). Risk analysis should be aligned with Rulebooks, decisions and guidelines of the competent supervisory authorities, and take into account the NRA and the Supranational Risk Assessment (AMLTFL, Art. 12(5)).

(c) Keep assessments up to date – REs should regularly update their ML/TF risk analysis (AMLTFL, Art. 12(3)).

4. Reasoning for adoption of the AMLTFL, Ministry of Finance, 2017.

(d) Have appropriate mechanisms to provide risk assessment information to competent authorities and self-regulatory bodies – REs should submit ML/TF risk analysis to competent supervisory authorities, at their request (AMLTFL, Art. 12(3)).

22. **Criterion 1.11** – The AMLTFL sets forth the following provisions with regard to risk mitigation measures to be taken by FIs and DNFBPs.

(a) Have policies, controls and procedures – REs are required to have written policies, controls and procedures for the mitigation and effective management of ML/TF risks. These should be determined by the REs own risk analysis, including consideration of Rulebooks, decisions and guidelines issued by a competent authority, the NRA and the Supranational Risk Assessment (AMLTFL, Art. 13(1)). Policies, controls and procedures should be adopted by the management of the respective RE (AMLTFL, Art. 13(4)). These should be approved by the managements of the reporting entity (AMLTFL, Art. 67(1(1)). The standard nevertheless specifically required this to be done by the senior management which is deemed to be implied by the reference to the management board.

(b) Monitor implementation of controls – REs are required to regularly monitor and review the adequacy and efficiency of the policies, controls, and procedures implemented; and, if necessary, to enhance the measures undertaken by REs (AMLFT Law, Art. 13(4)).

(c) Take enhanced measures – Enhanced measures are required to be taken as noted under c.1.7.

23. **Criterion 1.12** – Simplified CDD is permitted only where "low" rather than "lower" risk has been identified (AMLFT Act, Art. 43 (1)) (see analysis of c.1.8). REs are prohibited to apply simplified CDD when there is suspicion of ML/TF (AMLTFL, Art. 43(5)). Deficiencies identified in c.1.9 apply.

Weighting and conclusion

24. Croatia conducted two NRAs to detect its ML/TF risks but reasonableness of the assessment casts doubts. Adopted respective Action Plans do not always support application of risk-based approach to allocating resources and implementing mitigating measures. Drafting of an updated version of the NRA, using a new risk assessment methodology, began in the last quarter of 2022, which is expected to be adopted by the end of 2023 and should also contain a new Action Plan for mitigation of the identified vulnerabilities and risks. Limited exceptions are not applied in line with the risks, and when applied are from all AML/CFT requirements. **R.1 remains rated partially compliant.**

Recommendation 2 – National co-operation and co-ordination

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[PC] (upgrade requested, maintained at PC)

1. In the 4th round MER of 2013, Croatia was rated LC on R.31. The main deficiencies were lack of co-ordination between AMLO, the Police and prosecutors resulting in low number of ML convictions, and lack of co-ordination with DNFBPs resulting in low numbers of submitted suspicious transaction reports. Since the last MER Croatia implemented various co-operation and co-ordination mechanisms.

2. **Criterion 2.1** – There are three strategic documents in Croatia that are aimed at setting policy objectives, in particular, in the area of suppression of corruption and prevention of financing of terrorism. These are respectively the 2015-2020 Anti-Corruption Strategy, the 2015 National Strategy for the Prevention and Suppression of Terrorism and the 2017 National Security Strategy of the Republic of Croatia. These were not, however, driven by the NRA. Among those only the Anti-Corruption Strategy is revised upon the expiration of the date. No periodicity is set for revision of the other strategies.

3. Croatia also adopted two Action Plans developed on the basis of the 2016 and 2020 NRAs, aimed at implementing measures to address identified ML/TF risks. These are described by Croatia as representing the national AML/CFT policy, which raises doubts on the basis of the substance of these: (i) the Action Plans are separate actions prescribed to respective competent authorities, with no overall strategic plan for the IIWG; (ii) it is not apparent how the set actions are linked to and will mitigate the higher ML/TF risks of Croatia.

4. In addition to those, in May 2022 the Government of the Republic of Croatia adopted an Action Plan for Strengthening the Effectiveness of the Croatian System for Preventing Money Laundering and Terrorist Financing (hereinafter: 2022 Action Plan), as a strategic document which as such foresees that activities of preventing money laundering and terrorist financing in the Republic of Croatia are carried out by IIWG, which is tasked with regularly monitoring the implementation of policies and activities to prevent money laundering and terrorist financing. Precisely, it defines measures and activities of all stakeholders, deadlines for the implementation of the set measures and activities, performance indicators and the sources of funding. The 2022 Action Plan as a national policy includes specific actions, such as: to improve both ML and TF investigations and prosecutions as well as tracing and confiscation of proceeds of crime; number of legislative changes both in preventive (AMLTF Law, Companies Act, Association Act, Foundations Act) and repression (Criminal Procedure Code) part of the system with concreate goal to address identified vulnerabilities; to improve transparency of data on legal persons and to prevent misuse of legal persons for ML and TF; to improve capacities and effectiveness of AMLO and supervisory bodies. The 2022 Action Plan binds all stakeholders to commit to a high-quality mutual co-operation, with the aim of fulfilling the defined measures and activities.

5. Despite being comprehensive, the 2022 Action Plan mostly replicates a list of measures based on the MER's Recommended Actions, rather than presenting an updated strategic document that highlights the AML/CFT/CPF priorities of the country and the way forward to achieve the identified strategic goals.

6. **Criterion 2.2** – Amendments to Article 4.23 of the AMLTFL, in force since January 2023, entrust co-ordinating and implementing common policies and activities in achieving strategic and operational goals in the area of prevention and detection of money laundering and terrorist financing to the IIWG – an expert working group composed of 11 competent authorities[5] in the field of AML/CFT, co-ordinated by the AMLO (AMLTFL, Art.5(3), the Protocol on Co-operation and Establishment of Interinstitutional Working Group for Preventing ML and TF, Art.2). Lack of support for the effective fight against ML and TF at the policy-making level affected successful implementation of some measures set in the 2016 NRA Action Plan. Based on the Action Plan, adopted in May 2022 by the Croatian Government, additional high-level officials, alongside the representative of the SAO, were also appointed as members of the IIWG, including senior officials and policymakers, namely State Secretaries of the Ministries of Finance, Interior and Foreign and European Affairs. However, support at the policy-making level is yet to be demonstrated enough for effective fight against ML and TF.

7. **Criterion 2.3** – The IIWG platform - an expert working group, serves for co-operation and co-ordination on AML/CFT matters (AMLTFL, Art. 1(23) and 5(5)). Two sub-groups of the IIWG are set to ensure operational co-operation and implementation of national policies in relation to supervisory activities and law enforcement efforts. The AMLTFL (Art.120), provides for a wider range of authorities responsible for the co-operation in preventing and detecting ML/TF than that 11, which are not currently a member of the IIWG. The IIWG does include policymakers from the SAO, as well as, as described in c.2.2, additional high-level officials that were appointed as members of IIWG as of May 2022. Operational co-operation is also ensured on the basis of the AMLTFL (Art. 120(1-2), 121-125), CFSSA Law (Art. 15-17) and Memorandum of Understandings (MoUs) signed between the respective authorities (Croatian National Bank (CNB), CFSSA, MoF (including AMLO and Financial Inspectorate).

8. **Criterion 2.4** – Croatia established the Standing Group for the Introduction and Monitoring of the Implementation of International Restrictive Measures (Standing Group) to assist in the co-operation and co-ordination to combat the proliferation financing, co-ordinated by the Ministry of Foreign and European Affairs. In February 2022, a new Permanent Group for the Implementation and Monitoring of International Restrictive Measures is established through a Decision by the Government of Croatia, pursuant to Article 5 of the IRM Law with the aim to co-ordinate the implementation of international restrictive measures and exchange and analyse information between the authorities composing it. The Permanent Group consists of representatives from the relevant Ministries, as well as the Security Intelligence Agency, Military Security Intelligence Agency, Office of the National Security Council, the CNB and the CFSSA.

9. Croatia has also mechanisms in place to co-ordinate national efforts in combatting the proliferation of weapons of mass destruction (WMD). The Government has set up a National Commission for the Suppression of WMD Proliferation to ensure implementation of its National Strategy for the Non-Proliferation of WMD adopted in 2013. Authorities also advised that the members of the Standing group are also the members of the Commission on the Prevention of WMD, alongside three other authorities with no AML/CFT responsibilities: Ministry of Health, the Croatian Academic and Research Network (CARNET) and the Information Systems Security Bureau (ISSB).

5. The IIWG is comprised of the following competent authorities: Ministry of Justice and Administration, Security Intelligence Agency, State Attorney's Office, Ministry of the Interior, Ministry of Finance (AMLO, Financial Inspectorate, Tax Administration, Customs Administration), Ministry of Foreign and European Affairs, Croatian National Bank, and Croatian Financial Service Supervisory Agency.

10. **Criterion 2.5** – Processing of personal data on the basis of and in line with the provisions of AMLTFL is considered as a matter of public interest in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council (GDPR) (AMLTFL, Art. 73(2)). Croatia has co-operation and co-ordination mechanisms in place to ensure AML/CFT requirements comply with data protection and privacy rules. Before adoption, Croatian Agency for Personal Data Protection gives its opinion to draft AML/CFT legislation on data protection matters (legislation) (Implementation of the General Regulation on Data Protection Law (NN 42/18) – Art.14).

Weighting and conclusion

11. Croatia has national AML/CFT co-ordination and co-operation mechanisms in place. However, there are concerns with respect to national AML/CFT policies/strategies being informed by the country ML/TF risks identified in the NRA and their frequency of revision and updating, as well as the adequacy of mechanisms at policymaking level. **R.2 remains rated partially compliant.**

Recommendation 10 – Customer due diligence

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated PC with former R.5. The main technical deficiencies identified related to the application of exemptions and derogations from CDD obligations such as the postponement of all CDD measures in certain exceptional cases; simplified due diligence (SDD) was permitted in relation to all foreign financial institutions regardless of their level of compliance with the FATF Standards; FIs were not required to obtain information on the entity or directors for foreign entities and arrangements. All the technical deficiencies identified in the 4th Round MER were subsequently addressed by Croatia with the revised AMLTFL, and in accordance with the progress report of July 2019 Croatia was re-rated as compliant with former R.5. Since then, the FATF Standards for CDD have substantially changed.

2. **Criterion 10.1** – After the entry into force of the AMLTFL in 2019, FIs are not allowed to open, issue or keep anonymous accounts, coded or bearer passbooks, anonymous safe deposit boxes, or other anonymous products, including accounts on false names, which would indirectly or directly enable the concealment of the customer's identity (AMLTFL, Art.54(1)). Reporting entity shall be obliged, regarding anonymous accounts, coded or bearer passbooks, anonymous safe deposit boxes or other anonymous products, including the accounts on false names for which it is not possible to identify the owner, which anonymous products exist on the day of entry into force of AMLTF, to carry out the customer due diligence measures as soon as possible and definitely prior to any use of such accounts or passbooks or safe deposit boxes or other anonymous products (AMLTF, Art.54(2)). Upon occurrence of a trigger event, FIs that cannot fulfil CDD requirements shall terminate already established business relationship (AMLTFL, Art.19(1)).

3. Authorities confirm that anonymous accounts or accounts in obviously fictitious names do not exist in practice as FIs were obliged to close all anonymous accounts, coded or bearer passbooks as well as other anonymous products, including anonymous accounts on false names which would indirectly or directly enable the concealment of the customer's identity within 30 days from the date of entry into force of AMLTF which was adopted on 15.07.2008 (2008 AMLTF, Art. 130(1)). In addition, the fine in the amount of 4640 to 132 720 EUR shall be imposed on the legal person for the misdemeanour should they open, issue or keep for the customers anonymous accounts, coded or bearer passbooks, anonymous safe deposit boxes or other anonymous products, including the accounts opened in false names (AMLTFL, Art. 150(1) point 45)), leaving no doubt that FIs are prohibited from keeping anonymous accounts or accounts in obviously fictitious names.

4. **Criterion 10.2** – According to Article 16(1) of the AMLTFL FIs shall conduct CDD in the following circumstances:

(a) when establishing a business relationship with a customer,

(b) when carrying out an occasional transaction amounting to HRK 105,000 (EUR 14,000) or more, regardless whether that transaction is carried out in a single operation or in several transactions that are apparently linked,

(c) when carrying out an occasional transaction constituting a transfer of funds as per EU Regulation 2015/847 which exceeds EUR 1,000,

(d) when there are reasons for suspicion of ML/FT in relation to a transaction or a customer, regardless of all prescribed exemptions and the transaction value, and

(e) when there are doubts about the veracity or adequacy of the previously obtained data on a customer.

5. Authorised exchange offices are required to identify and verify the identity of customers when they carry out transactions above HRK 15,000 (EUR 2,000) (AMLTFL, Art. 16(3)).

6. **Criterion 10.3** – CDD measures shall include the identification of the customer and the verification of the customer's (including permanent or occasional, and whether natural or legal person or legal arrangement) identity on the basis of documents, data or information obtained from a credible, reliable and independent source (AMLTFL, Art.4(46), 4(41), 15(1(1)). Art. 20, 21, 23, 31(3) of the AMLTFL then provide further details on the identification and verification of identity procedures that need to be implemented for the various types of customers, including natural and legal persons and legal arrangements.

7. **Criterion 10.4** – REs should identify and verify a person claiming to act on behalf of a customer (AMLTFL, Art. 15(2)). Identification and verification measures that are to be carried out on representatives of natural and legal persons and legal arrangements (customers) are stipulated under AMLTFL, Art. 22, 24-25. According to Art. 4 point 46 of AMLTFL the customer identification and verification of the customer's identity shall be a procedure of collecting data and information on the customer and verification thereof by using documents, data and information received from reliable and independent source.

8. **Criterion 10.5** – The identification of the customer's beneficial ownership (BO) and the taking of reasonable measures to verify the BO's identity is part of the CDD (AMLTFL, Art.15(1(2) and Art. 16). Measures to gather information on and identify the customer's BO are prescribed under AMLTFL, Art.30-31. The definition of BO is broadly in line with the FATF definition.

9. **Criterion 10.6** – CDD measures include the collection of data on the purpose and intended nature of the business relationship or a transaction which will enable the relevant understanding (AMLTFL, Art.15(1(3)).

10. **Criterion 10.7** – Ongoing monitoring of the business relationship is stipulated in AMLTFL, Art. 15(1)(4) and 37 and extent to existing customers (AMLTF, Art. 16 (8) and (9). The scope and frequency of on-going due diligence measures shall be adapted to the ML/TF risks (AMLTF, Art.37(3). On-going monitoring includes:

(a) the scrutiny of transactions carried out during the course of the business relationship, to ensure that these transactions are consistent with the RE's knowledge of the customer, type of business and risk profile, including, where necessary, the collection of information on the source of funds (AMLTF, Art. 37(1) and (2)); and

(b) ensuring that the documents and the data held by the RE are kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers (AMLTF, Art.37(4)).

17. **Criterion 10.8** – CDD shall include taking of measures necessary to understand the ownership and control structure of the customer when the customer is a company, another legal person or a foreign trust or similar arrangement and the purpose and intended nature of the business relationship or a transaction and other data in line with the law and regulations passed on the basis of the law (AMLTFL, Art.15(1) points 2 and 3).

18. **Criterion 10.9** – The requirements to identify and verify legal persons, other types of legal persons, and foreign legal arrangements are set out in AMLTFL, Art. 20(1) point 1 letter 4b, Art. 20(1) point 4, Art. 23, Art. 26 and Art. 31.

(a) *name, legal form and proof of existence*

REs should identify and verify the identity of customers that are legal persons by collecting the name, legal form, headquarters address and business registration number of the legal person by examining the original or notarised copy of documentation from court or other public register or by directly examining such court or public register. Similar provisions are set for other types of legal persons (namely non-governmental organisations, funds, foundations, institutions, artistic organisations etc.), with the requirement to examine the register, record files, or other official records.

Proof of existence for legal persons is established through the collection of information and reference to court and public registers outlined above. Moreover, in the case of other types of legal persons REs should examine registers and record files, however, it is not made clear as to what registers and record files the law is referring to.

For trusts and similar entities setup under a foreign law, REs should collect data on such trust or similar entity and to obtain the memorandum of association (presumably the trust deed or similar document) of that trust or similar entity as well as to obtain and verify the data on the name, address, and legal form of the trust and similar legal arrangement and the memorandum of association of the trust and similar legal arrangement (AMLTFL, Art. 31)

(b) *the powers that regulate and bind the legal person or arrangement, and names of senior management*

If the customers are the legal persons (domestic or foreign), there is obligation to collect information about its management members or persons performing their duties equivalent functions (name, surname, identification number, country of residence), data on persons authorised for representation of legal entity (name, surname, identification number, country of residence), and a copy of the founding act of the legal entity (AMLTFL, Art. 23(6). Companies Act, as *lex specialis*, prescribes that founding act, *inter alia*, must contain information on "the rights and obligations that the members have towards the company, in addition to the payment of their stakes, and the rights and obligations that the company has towards the members".

In the case of foreign trusts and similar legal entities reporting entities are required to establish and verify the identity of trustees, protectors, or any other person that has ultimate control over that trust or similar legal entity.

(c) *address of the registered office and, if different, a principal place of business*

REs should obtain information on the headquarters of legal persons, which would include the street and number, place and country.

In the case of foreign trusts and legal arrangements, whilst there is no explicit requirement to collect information on the country of establishment, this would be contained in the memorandum of association (presumably the trust deed or similar document) which REs are required to obtain. REs should obtain information on the residential address of the trustee as beneficial owner.

19. **Criterion 10.10** – REs should identify the customer's BO and to take reasonable measures to verify the BO's identity (AMLTFL, Art.15(1(2)). REs shall take measures to identify the BO of legal persons, foreign trusts and similar arrangements, and to verify his identity, as provided in the AMLTFL, Art.30-31.

20. BO is defined as any natural person who ultimately owns the customer or controls the customer or in any other way manages it, and/or any natural person on whose behalf the transaction is being conducted, including a natural person who exercise ultimate effective control over a legal person or legal arrangement (AMLTFL, Art.4(42)). This is then complemented by a more detailed definition of the term beneficial owner(s) with respect to legal persons, legal arrangements and individuals acting on behalf of, or controlling other natural persons (AMLTFL, Art.28).

(a) the natural person(s) who ultimately has a controlling ownership interest in a legal person.

In the case of legal persons, the BO shall include: (i) a natural person who owns or controls a legal person through direct ownership via a sufficient percentage of stocks or shares of voting rights or ownership shares in that legal person and (ii) a natural person who controls a legal person through indirect ownership via a sufficient percentage of stocks or shares of voting rights or ownership shares in that legal person. Direct ownership is defined as the ownership of more than 25% of the ownership shares, voting or other rights, which enable one to manage the legal person or the ownership of 25% plus one of the shares. Indirect ownership is defined as an ownership or a control of the same natural person (natural persons) over one or more legal persons or trusts which individually or together have more than 25% of business shares, voting or other rights on the basis of which he/she (they) exercises (exercise) the managing rights or 25% plus one share in the customer (AMLTFL, Art. 28(6)).

(b) where there are doubts or there is no beneficial owner in terms of (a); the natural person(s) exercising control through other means.

In the case of legal persons, the BO shall also include a natural person(s) who has a controlling function in managing the legal person's property via other means (AMLTFL, Art.28(1(3)). Indication of what control via other means may constitute is stipulated under AMLTFL, Art.28(7).

(c) where no natural person is identified under (a) or (b); the natural person(s) holding the position of senior managing officials.

Where all possible means have been exhausted but it is not possible to identify the BO or there are suspicions that the identified natural person(s) is not the BO, the natural person(s) who is a member of the management board or other managing body or a person performing equivalent functions is to be considered as the BO. REs should keep records of measures taken and any difficulties encountered during the verification of BO process (AMLTFL, Art. 28(8)).

When it is not possible to identify the beneficial owners (BOs), REs should consider the natural person authorised to represent the entity as the BO (AMLTFL, Art.28(4)).

21. **Criterion 10.11** – BOs of trusts and similar entities, which are set up under the law of a foreign jurisdiction are defined under AMLTFL, Art.31(1).

(a) for trusts: the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust.

For trusts, REs are required to establish and verify the identity of all settlor(s), trustee(s), protector(s) if any, beneficiaries or class of beneficiaries (as applicable), persons performing equal or similar functions, and all other natural persons who, via direct or indirect ownership or by other means ultimately perform the ultimate control over the trust (AMLTFL, Art.

31(1)). Were any of the mentioned persons are legal persons, the RE shall identify and verify the identity of their BOs.

If the beneficiary of a trust is designated by characteristics or class, REs are required to collect sufficient information to establish the identity of the beneficiary at the moment of the payout or when the beneficiary intends to exercise its vested rights (AMLTFL, Art.16(5)).

(b) for other types of legal arrangements: the identity of the persons in equivalent or similar positions (AMLTFL, Art. 31(3)).

22. **Criterion 10.12** – Insurance companies, agents and intermediaries, when entering into agreements on life insurance and other investment-related insurance, should carry out the following additional measures in relation to beneficiaries (AMLTFL, Art.16(3)):

(a) identify and verify the beneficiaries' identity where these are determined and specifically appointed natural persons, legal persons or legal arrangements; and
(b) collect sufficient data to be able to identify the beneficiary at the moment of the policy payout, where the beneficiaries are determined by specific characteristics of class.
(c) REs are required to verify the identity of the insurance beneficiary at the moment of payout (AMLTFL, Art.16(4)).

23. Furthermore, The CFSSA's Ordinance[6] (Art. 50(1-2)) clearly establishes that these requirements are applicable to all REs subject to these Ordinances including insurance companies, agents and intermediaries.

24. **Criterion 10.13** – There is general requirement for FI to conduct enhanced customer due diligence measures to appropriately manage the risks of money laundering or terrorist financing and to mitigate those risks appropriately, including when the life insurance policy beneficiaries or beneficiaries of other investment-related insurance policies, or beneficial owners of the beneficiaries are politically exposed persons or represent higher money laundering and terrorist financing risk (AMLTFL, Art. 44(3)).

25. According to Art. 16(3) of AMLTFL relevant REs when entering into agreements on life insurance and other investment-related insurance, shall be obliged, along with the general due diligence measures, as soon as the beneficiaries have been identified or designated as for insurance beneficiaries that are determined as a specially appointed natural or legal persons or legal arrangements (for example, legal heir, children, spouse, etc.), to identify the beneficiary and verify the beneficiary's identity (AMLTFL, Art. 16(3)(a))he measures to identity the insurance beneficiary shall be taken at the moment of payout, while in case of assignment, in full or in part, of the life insurance and other investment-related insurances to third person or legal person or legal arrangement, the reporting entity being a credit or financial institutions shall be obliged to verify the identity of the beneficial owner at the moment of the assignment (AMLTFL, Art.16(4)).

26. **Criterion 10.14** – REs are obliged to identify and verify the customer and the BO, and to collect information on the purpose and intended nature of the business relationship before establishing a business relationship or carrying out an occasional transaction (AMLTFL, Art.17(1)). By way of derogation, REs are allowed to verify the customer's identity and the BO's identity during the establishment of a business relationship, and as soon as possible after the initial contact with a customer if: (i) it is necessary in order not to interrupt the normal conduct of establishing business relationships and (ii) there is a low risk of ML/TF (AMLTFL, Art.17(3)).

6. Ordinance "On the Assessment Procedure of the ML/TF Risk and on the Manner of Applying Simplified and Enhanced Customer Due Diligence Measures".

27. Within the context of the application of SDD the delaying of the verification of customer and BOs is permitted even when this is not essential for an uninterrupted conduct of business (AMLTFL, Art.43(3(1)), CNB and MoF Ordinances Art.19(3) and CFFSA Ordinance, Art. 15(3)).

28. **Criterion 10.15** – Where REs apply the derogation explained under c.10.14, they should adopt written policies, controls and procedures for the mitigation and efficient management of risks (AMLTFL, Art. 17 (5)). With regards to the delay of verification under the SDD framework (explained under c.10.4) there are specific risk mitigation and management measures to regulate cases where verification is delayed until transactions exceed a defined threshold or once a reasonable time limit has lapsed (CNB and MoF Ordinances, Art.19(3)(1(b)), CFSSA Ordinance, Art.(15(3)1(b)).

29. **Criterion 10.16** – REs are required to carry out CDD measures on existing customers on the basis of the risk assessment, and particularly when the circumstances relevant for the application of the AMLTFL change in relation to particular customers. CDD on existing customers is also required to be carried out when the RE has a legal obligation (including under taxation legislation) to contact the customer to verify BO information (AMLTFL, Art.16(6)). When deciding on the frequency of implementation of the measures reporting entities take into account all the circumstances related to the customer, the adequacy of the previously collected data on the customer and the time of the previously conducted due diligence measures (AMLTFL, Art.16(9).

30. **Criterion 10.17** – Financial institutions are required to perform enhanced due diligence where the ML/TF risks are higher (AMLTFL, Art. 44).

31. **Criterion 10.18** – REs may conduct SDD if according to their own risk assessment they estimate that a customer represents a low ML/TF risk. REs should take into consideration the results of the NRA in making a determination on the level of risk (AMLTFL, Art.14(6), 43(1-2)).

32. Furthermore, the CNB, MoF and CFFSA Ordinances (Art.19(2) and Art.15(2)) applicable to all FIs have specific provisions which explicitly state that in case of low-risk business relationships and occasional transactions the scope, timing or type of CDD may be adjusted in a way that is commensurate to that risk category.

33. SDD is not allowed in cases of suspicions of ML/TF or in specific scenarios of higher risk of ML/FT or in case of complex and unusual transactions (AMLTFL, Art.43(5)).

34. **Criterion 10.19** – Where REs are unable to implement CDD (initial CDD, as well as on-going monitoring) they shall not be allowed to:

(a) establish a business relationship, carry out a transaction, or shall have to terminate an already established business relationship.

(b) REs are also required to consider filing a STR.

35. The definition of the term business relationship encompasses the opening of accounts, (AMLTFL, Art.4(31)).

36. **Criterion 10.20** – REs are permitted not to carry out CDD in case of suspicions of money laundering or terrorist financing and instead are obliged to submit an STR if they reasonably believe that the carrying out CDD would tip off the customer (AMLTFL, Art.56(8)).

Weighting and conclusion

37. Few minor deficiencies remain: (i) it is not made clear what registers and record files REs should examine in relation to other types of legal persons (c.10.9(a)); and (ii) within the context of the application of SDD, the delaying of the verification of customer and BOs is permitted even when this is not essential for uninterrupted conduct of business (c.10.14(b)). **R.10 is re-rated LC.**

Recommendation 13 – Corresponding banking

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[C↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated PC with former R.7. There were deficiencies identified with: application of enhanced due diligence (EDD) requirements; documenting the AML/CFT responsibilities; lack of clear requirement to obtain senior management approval before establishing new correspondent relationships. Most of the technical deficiencies identified were addressed and Croatia was re-rated to be LC with R.7. Concerns, however, remained with respect to scope of application of the EDD measures. Since the last MER Croatia adopted a new AMLTFL in 2018 which was subsequently amended in 2019.

2. **Criterion 13.1** – REs should carry out additional measures (to the standard CDD measures) when establishing a correspondent relationship which involves payments carried out with a credit or financial institution having headquarters abroad (AMLTFL, Art.45(1)).

3. In addition to the AMLTFL, the Ordinances of the CNB, MoF and CFSSA, require that additional measures apply to: (i) non-EU Member States on a risk sensitive basis; and (ii) EU Member States, but only where increased risk is present (CNB and MoF Ordinances, Art.33(3), 34, and CFSSA Ordinance, Art.27(3), 28)).

4. The additional measures include:

(a) gather sufficient information about a responded institution to understand fully the nature of the respondent's business, and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action (AMLTFL, Art.45(1) point 1);

(b) assess the respondents institution's AML/CFT controls (AMLTFL, Art.45(1) point 2);

(c) obtain approval from senior management before establishing new correspondent relationships (AMLTFL, Art.45(2));

(d) clearly understand the respective AML/CFT responsibilities of each institution (AMLTFL, Art.45(1) point 3)

5. **Criterion 13.2** – Under Article 45 (1), point 4, when establishing a correspondent relationship with credit or financial institution, REs should convince themselves that in relation to payable-through accounts the respondent institution has carried out the verification of the customer's identity and:

(a) that it continuously carries out due diligence measures of customers that have direct access to the accounts of the correspondent institution; and

(b) that at the request of the correspondent institution, it may provide relevant data regarding the implemented CDD measures.

6. **Criterion 13.3** – FIs are not allowed to establish or to continue a correspondent relationship with a credit or FI should such credit or FI operate as a shell bank, or should it establish correspondent or other business relationships and conduct transactions with shell banks (AMLTFL, Art.45 (4), point 3).

Weighting and conclusion

7. All criteria are met. **R. 13 is re-rated compliant.**

Recommendation 15 – New technologies

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[PC] (upgrade requested, maintained at PC)

1. In the 4th round MER of 2013, Croatia was rated C with former R.8. The new R.15 focuses on assessing risks related to the use of new technologies, in general, and imposes a comprehensive set of requirements in relation to VASPs.

2. **Criterion 15.1** – ML/TF risk analysis of new products and business practices are captured through the NRA. The latest NRA concluded in 2020 includes an analysis of the ML/FT risks posed by various products and services provided by different sectors of reporting entities such as banks, securities and insurance operators, to determine how such product/service risk impact the overall vulnerability of these sectors. There is no legal obligation for the country to assess ML/FT risks associated with new products or services. Although the NRA evaluates various products and services offered by the different sectors, there is no assessment of changing business practices and their ML/FT risk impact.

3. REs are required to carry out risk assessments to determine and assess the effect that: important changes in business processes and practices, the introduction of new products, externalised activities (i.e., outsourcing of AML/CFT obligations) or delivery channels, and the introduction of new technologies for new and existing products, will have on the ML/TF risk exposure of the RE (AMLTFL, Art.12(6)).

4. **Criterion 15.2** (a) and (b) – Before any important changes in business processes and business practice that may have an impact on the measures to be undertaken for the purpose of preventing ML/TF, and when introducing a new product, an externalised activity or a delivery channel, as well as when introducing new technologies for new and existing products, REs shall carry out a risk assessment for the purpose of determining and assessing the way these changes can affect the ML/TF risk exposure, and to apply appropriate measures for the mitigation and efficient management of these risks (AMLTFL, Art.12(6)).

5. **Criterion 15.3** –

(a) Identify and assess the ML/FT risks emerging from virtual asset activities and VASPs.

The CFSSA conducted its first assessment of the VASPs sector's ML/TF vulnerabilities which was adopted in May 2021. Assessment was based on 15 VASPs which notified the CFFSA that they were carrying out exchange services between virtual and FIAT currencies or providing custodian wallet services. This was a basic analysis of the market's economic metrics and an observation of the legislation, without developing broader appreciation of the risks in the sector. This assessment concluded that ML/TF vulnerabilities are primarily related to lack of regulatory framework for a range of VASP services.

Further actions to enhance understanding of the risks were conducted during 2022, including inquiring and collecting information from VASPs, specially in relation to the volume of transactions and the customer base profile, and further analysis of the sector's risk profile using risk assessment matrix, based on the information gathered through the questionnaires. The risk profile matrix reached an assessment of "medium-high" risk, attributed mainly to the geographic exposure, when it comes to inherent risk, and unsatisfactory education when it comes to vulnerabilities of the control mechanisms. This analysis could benefit from

further elaboration and granularity (details on the types of products/services, ML typologies, specific consideration of TF risks, etc.).

(b) Application of risk-based approach in ensuring that ML/FT preventive measures are commensurate to risks identified.

The sector started to be regulated in January 2020, with the VASPs definition of Article 9 of the AMLTFL being amended in January 2023 to widen the scope of covered VASP activities, although the service of virtual asset transfers is omitted from this definition (see c.15.4(a)). VASPs designated as REs are entitled to adhere the AML/CFT regulatory framework. Within the CFSSA a separate unit is setup specialised on engagement with the VASP sector. The CFSSA actively communicates with the VASP sector, detecting new market participants and engaging with them describing their AML/CFT obligations as a new type of designated RE. Supervisory activity was carried out in 2022 based on the identified sectorial risks mentioned in c.15.3(a) above and the individual risk profiles of the operators. However, Croatia did not yet develop a formal document to design future steps for mitigating respective ML/TF risks.

(c) VASPs' adherence to criteria 1.10 and 1.11.

VASPs that are designated as REs are subject to the AML/CFT obligations. Therefore, the analysis of c. 1.10 and 1.11 also applies to them.

6. **Criteria 15.4** –

(a) Licensing or Registration Requirements for VASPs.

Article 9(2) point 19 of the AMLTFL establishes VASPs as reporting entities. This definition does not include the provision of virtual asset transfer services as required by the FATF definition, although VASPs are obliged to apply CDD measures to "occasional transactions that represent the transfer of virtual assets in the amount of EUR 1,000 or higher" (Art.16(2) of the AMLTFL).

Article 9.a of the AMLTFL establishes that VASPs based in Croatia must register with the CFSSA before commencing the activity.[7] Being registered in the Registry of VASPs is a pre-requisite to register the activity in the Trade Register (AMLTFL, Art.9a(5)-(6)).

(b) Prevent criminals or associates from being involved in VASPs.

Article 9.a(2) point 4 of the AMLTFL mandates a fit-and-proper examinations to those requesting to register as VAPSs and all related natural persons (which would include members of the management board, board of directors and supervisory board). Article 9e of the same law establishes the meaning of "good reputation" in this regard, which mostly refers to a lack of criminal proceedings, no violation of the provision of the AMLTFL and not being associated with a person convicted of a ML/TF offence.

7. **Criteria 15.5** – For VASPs that are required to register with the CFSSA before commencing to provide such services, the CFSSA has the authority, under Article 9.c of the AMLTFL, to delete them from the VASP Registry (thus withdrawing its ability to carry out such business) based on certain circumstances, including failure to fulfil the conditions and declarations made for the purpose of

7. Additionally, a bylaw "On keeping the Registry of VASPs and assessment of good reputation of natural persons in VASPs" was adopted on June 28th, 2023, (outside the scope of the present FUR) further detailing the information to be contained in the application to the Registry and that to be registered, the conditions for the enrolment and deletion from the Registry and the assessment of the good reputation of natural persons.

registration, or if the VASP has been sanctioned for a serious offense prescribed by Article 150 of the AMLTFL. Furthermore, the provision of VA-related activities without registration approval or after deletion from the registry can also be sanctioned with fines ranging from EUR 4,640 to 132,720 in the case of legal persons (Art.150(1) of the AMLTFL), EUR 1,990 to 59,720 for natural persons (Art.150(3)) and, additionally, from EUR 790 to 9,950 to members of the management board of legal persons.

8. There is no explicit requirement to require the CFSSA, or other authority, to identify natural or legal persons carrying on VASP activities.

9. **Criterion 15.6** –

(a) VASPs being subject to adequate and risk-based AML/CFT supervision.

VASPs defined as REs under Art.9.2(19) of the AMLTFL are subject to AML/CFT obligations and thus to AML/CFT supervision in Croatia. The CFSSA conducted 6 on site, 1 administrative off site and 37 off site supervisions to the sector, following the adoption of the MER.

(b) Adequate powers to supervise and monitor VASPs for AML/CFT purposes.

Art.82(5) of the AMLTFL stipulates that for the AML/CFT supervision of VASPs, the laws governing the capital market (i.e., Capital Market Law) and the CFSSA Agency Law also apply. In terms of the Capital Market Law the CFSSA is empowered to carry out direct (on-site) and indirect supervision (off-site) of supervised entities and give recommendations and opinions to supervised entities in order to improve and harmonise their operations and procedures (Art.685(1) and (2)). For the purpose of exercising its supervisory powers the CFSSA may (i) request the submission of data from supervised entities, employees and other relevant persons (Art.684(1) of the Capital Market Law), (ii) access any document and data in any form, (iii) order the delivery of written statements or take oral written statements and (iv) in case of reasonable suspicion of violations of relevant regulations or upon request of the supervised entity obtain existing records of telephone conversations, electronic communications and other available data traffic records (Capital Market Law Art.684(2)).

The CFSSA may in terms of Art.83(1) of the AMLTFL take a number of measures or actions to ensure compliance by VASPs including: (i) give written warning and order the removal of irregularities, (ii) file misdemeanour indictments, and (iii) pending the misdemeanour decision temporarily forbid the carrying out of certain business activities or temporarily forbid members of the management board or other responsible persons from exercising managerial duties. Misdemeanour proceedings leading to the imposition of pecuniary fines on VASPs and/or management may be imposed (see c.35.1).

As stated in c.15.5, the CFSSA can remove VASPs from the Registry, thus depriving them from the capacity to undertake such activities. The CFSSA can also temporarily suspend the activities of VASPs or their management in cases of AML/CFT infringements, in application of the powers under Article 83(1)(3) of the AMLTFL.

Relevant deficiencies under Recommendation 26 are also applicable.

10. **Criterion 15.7** – The CFSSA stated that since 2019 seven meetings were held with representatives of VASPs to discuss the existing and potential ML/TF risks pertaining to these activities, and a training event was also held in December 2019, during which a particular session was dedicated to VASPs. The CFSSA has met with representatives of VASPs, and the Association for Blockchain and Cryptocurrencies; and provided guidance on the practical application of AML/CFT obligations.

11. In addition to that, the CFSSA also issued various kinds of guidelines (opinions, instructions, education materials and narratives around misdemeanour sanctions) which take into consideration risks associated with VASPs and virtual assets, aiming to raise awareness on AML/CFT matters. However, guidance specifically targeting VASPs regarding the application of national AML/CFT measures, in particular on the subject of detecting and reporting suspicious transactions, has not been yet issued by the Croatian supervisors.

12. **Criterion 15.8** –

(a) Proportionate and dissuasive sanctions for AML/CFT breaches by VASPs.

The AMLTFL does not make a distinction between types of REs, therefore all sanctions available under Chapter VII also apply to VASPs. Similarly, deficiencies noted within R.35 will impact compliance of this criterion. Furthermore, the CFSSA when determining violations of the provisions of the AMLTFL and by-laws, is authorised to apply the following types of sanctions: written warning; fine; temporary prohibition of certain business activities by the REs or their management; prohibition of carrying out certain duties, activities or tasks by the REs; revocation of licence.

(b) Sanction applicable on directors and senior management.

Art.150 and 151 of the AMLTFL enable the imposition of sanctions on members of the management board or another responsible person of legal persons.

13. **Criterion 15.9** – The preventative measures as set under AMLTFL are equally applicable to VASPs defined as REs. Therefore, relevant deficiencies of R.10-21 have impact and there are no provisions regulating relationships analogous to corresponding banking that would be applicable to VASPs (R.13) or regulating agents of VASPs (R.14).

(a) CDD threshold for occasional transactions – VASPs.

The occasional transactions designated threshold above which CDD is applicable for VASPs is EUR 1,000 – Art.16(2) of the AMLTFL.

(b) Requirements for virtual asset transfers.

Article 20 of the AMLTLF prescribes the type of information VASPs are obliged to collect when conducting CDD on occasional transactions or transfers of virtual assets. However, providing the virtual assets transfers services is not covered under the VASP definition and there are currently no requirements to ensure that virtual asset transfers are accompanied by accurate originator and beneficiary information as required by the FATF Standards.

14. **Criterion 15.10** – In accordance with IRM Law (Art.(10(1)), all natural and legal persons and other entities shall be obliged to act in line with the said Law and to apply the restrictive measures envisaged within it, which would include all VASPs, both those covered under the AMLTFL, as well as others that are envisaged under the FATF Standards but not captured under the AMLTFL.

15. Moreover, the definition of "assets and other funds" under IRM Law (Art.3) explicitly includes virtual assets as these are defined under the AMLTFL. There are however significant deficiencies related to the application of such restrictive measures. See R6 and R7.

16. **Criterion 15.11** – The AMLTFL (Art.92) provides the CFSSA the power to co-operate and exchange information with third country (i.e., non-EU) counterpart competent authorities. Article 91.a of the AMLTFL Law, in force since January 2023, provides a legal basis for co-operation and information exchange between CFSSA and EU authorities in relation to the supervision of VASPs.

17. FIU-FIU Co-operation is regulated by the AMLTFL (Art.127-137). In particular AMLTFL (Art.129(1) and 130(1)) expressly enable the AMLO to deliver to foreign FIUs (upon request or spontaneously) data, information and documentation on transactions, funds or persons when there are suspicions of ML/FT. Funds are in terms of AMLTFL (Art.4(40)) defined in a manner which expressly include virtual assets. Deficiencies identified under Rec.37 to 40 apply.

Weighting and conclusion

18. Whilst the CFSSA carried out several risk assessment exercises in relation to the VASP sector, they could benefit from further elaboration and granularity. The VASP sector is regulated and subject to AML/CFT obligations and registration requirements, but shortcomings remain with regard to sanctions, guidance and VA transfers requirements. **R. 15 remains rated partially compliant.**

Recommendation 17 – Reliance on third parties

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated LC on R.9. The main deficiencies were lack of requirement that the delegating party obtain the necessary information concerning, inter alia, elements of the CDD process, and lack of clear obligation for FIs to take adequate steps to satisfy themselves that data of CDD will be made available from the third party without delay.

2. **Criterion 17.1** – The FIs are permitted to rely on third parties to perform elements of CDD (customer identification, BO identification, understanding the nature of the business relationship). Responsibility for CDD remains with the entrusting FI (AMLTFL, Art.38).

(a) The third party is obliged to deliver or make directly available to FI all relevant CDD information immediately (AMLTFL, Art.41(1)).

(b) FIs should establish procedures to ensure that they receive respective CDD information from third party in a timely manner. At the same time, third party should deliver or to make directly available to the FI, without delay, the copy of identification documents and other documentation on the basis of which they have carried out the CDD and have collected the data on the customer (AMLTFL, Art.41(2-3)).

(c) Under Art. 39(1), point 2, letters a) and b)) of the AMLTFL, third party shall be required to apply CDD measures and record keeping requirements equal to those set in the domestic legislation or equally valuable to those stated in the Directive (EU) 2015/849. Moreover, third party shall be supervised in relation to these requirements by a competent authority in an equal or equally valuable manner as the one stated in the Directive (EU)2015/849. According to Art. 39 (2), before entrusting the implementation of due diligence measures from Article 38 (1) to a third party, FIs are obliged to check whether the third party meets the conditions mentioned above. Directive (EU) 2015/849 is largely in line with R.10 and 11.

3. **Criterion 17.2** – Before entrusting a third party with the implementation of in-depth measures analysis of measures in Art.39 (see 17.2c), the FI is obliged to evaluate the risk of the country where the third party has its seat and document risk assessment (AMLTFL, Art.39(3)). In addition, AMLTFL prescribes that: (i) third persons may not be persons having headquarters in a high-risk third country but as an exception, the reporting entity may entrust the third person having headquarters in a high-risk third country that is a branch or a subsidiary company of the reporting entity from the member state with the performance of the due diligence, under the condition that it adheres fully to the policies and procedures of the group (AMLTFL, Art.39(4)); (ii) third persons may not be a shell (virtual) bank which does not or is not allowed to carry out its activity in the country in which it has been registered (AMLTFL, Art.39(5)).

4. **Criterion 17.3** – The Supervisory authorities may consider that the requirements of the recommendation are met if:

(a) the group applies the CDD measures, rules on record-keeping and programmes against ML/TF in line with the provisions of the AMLTFL or in a way equal or "equally valuable" as the one stated in the Directive (EU)2015/849. Compliance with the AMLTFL does not amount to full compliance with the requirements set out in R.10 to R.12 and R.18;

(b) the effective implementation of the CDD and record keeping requirements at the level of the group is supervised by a competent authority, as set under article 39 (7) point 3 of the AMLTFL;

(c) higher risk of the third country shall be adequately mitigated by the policies and procedures of the group as set under article 39 (7) point 4 of the AMLTFL.

Weighting and conclusion

5. Compliance with the AMLTFL does not amount to full compliance with the requirements set out in R.10 to R.12 and R.18 (c.17.3(a)) which is minor deficiency (considering mostly minor gaps remaining under relevant recommendations). **R. 17 is re-rated largely compliant.**

Recommendation 22 – DNFBPs: Customer due diligence

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated PC with former R.12. The technical deficiencies mainly cascaded from other recommendations (namely former R. 5, 6, 10 and 11). DNFBPs were not required to have in place or take measures to prevent the misuse of technological developments for ML/TF purposes and to address the specific risks associated with non-face to face provision of services. Croatia meanwhile addressed the deficiencies identified in relation to former R. 5 which was re-rated to C and addressed the majority of technical deficiencies identified with respect to R.6, which was re-rated to C. No progress was shown in relation to R.10 and 11. Since the last assessment a new AMLTFL was adopted in 2018 and subsequently revised in 2019.

2. **Criterion 22.1** – The analysis of R.10 and the respective technical deficiencies identified apply also in relation to DNFBPs. Further findings specific to DNFBPs are outlined hereunder.

(a) *Casinos*

Providers of games of chance should conduct CDD when placing bets and taking the gains, including buying or exchange of chips, amounting to HRK 15,000 (EUR 2,000) or more, whether carried out in a single operation or in several transactions that are apparently mutually linked (AMLTFL, Art.16(1(4)). Casinos should also conduct CDD also when there are doubts about the veracity or adequacy of previous obtained CDD data and when there are suspicions of ML/FT (AMLTFL, Art.16(1(4)). The definition of a business relationship explicitly states that the registration of a player with an on-line betting provider creates a business relationship (AMLTFL, Art.4(31)). Thus, on-line casinos are also bound to carry out CDD when establishing a business relationship. The definition of "organisers of games of chance" covers casino games including on-line casinos. The financial transactions that trigger CDD in the case of casinos are thus not limited to gaming transactions that involve only casino chips and tokens (AMLTFL, Art.9(2(16)). Croatia has clarified not to have ship-casinos, and also not to have a legislative framework for their licensing.

These obligations are complemented by a requirement for all gaming operators (which includes casinos) to operate and carry out CDD in accordance with the requirements of the AMLTFL (Art.65).

Furthermore, visits to land-based casinos are only permissible to adults who are obliged to identify themselves, and that casino shall determine, check and record the identity of all persons entering the casino by keeping a record containing personal identification data, as well as the date and time of entry into the casino (Law on Games of Chance Art.43(1-2)).

(b) *Real estate agents*

Under article Art.16(1(7) of the AMLTFL, real estate agents, when performing mediation activities in the purchase or sale of a real estate, are obliged to carry out due diligence measures in relation to the buyer and seller of the real estate.

(c) *Dealers in precious metals and stones*

Legal and natural persons trading in precious metals and stones are considered as REs (AMLTFL, Art. 9(2(17(g)). DPMSs are required under Art. 16 (1) of the AMLTFL to conduct CDD in the circumstances envisaged by that article, including "when carrying out an

occasional transaction amounting to EUR 10,000 or more, whether that transaction is carried out in a single operation or in several transactions that are apparently mutually linked and that reach a total value of EUR 10,000 or more". This provision covers cash transactions required by FATF Standard. It is worth mentioning that cash transactions above HRK 75,000 (EUR 10,000) are prohibited in Croatia (AMLTFL, Art.55), and hence, criterion 22.1(c) is not applicable for DPMSs in Croatia.

In addition to this requirement, under Art. 16(1(3) of AMLTFL, DPMSs should identify and verify the identity of customers when they carry out transactions of HRK 15,000 (EUR 2,000) or more. DPMS should identity customers by collecting specific personal details and referring to identification documents.

(d) *Lawyers, notaries, other independent legal professionals and accountants*

Lawyers, law firms and notaries public are designated REs (AMLTFL, Art.9(2(18b)) as well as external accountants (AMLTFL, Art.9(2(18c)), and thus required to carry out CDD measures, when they participate, whether by acting on behalf of and for their clients in any kind of financial or real estate transaction, or by assisting their clients in the planning or carrying out of the following transactions:
(i) buying and selling or real property or business activities;
(ii) managing of client money, securities or other assets;
(iii) opening and management of bank accounts, saving deposits accounts or securities accounts;
(iv) organisation of contributions necessary for the establishment, operation or management of company;
(v) establishment, operation or management of trusts, companies, foundations or similar structures.

This corresponds to the list of activities under criterion 22.1(d) and goes beyond by also categorising legal professionals as REs when they Law on behalf and for their clients in any financial or real estate transaction.

(e) *Trust and Company Service Providers*

TCSPs are designated REs (AMLTFL Art.9(2(17(f)), and consequentially required to apply CDD measures as set out under R.10. when they prepare or carry out transactions for clients in the circumstances identified in the Criterion (AMLTFL, Art.4(36)).

3. **Criterion 22.2** – DNFBPs are subject to record-keeping requirements in the same manner as FIs. The analysis of R.11 and respective deficiencies are also relevant for DNFBPs.

4. **Criterion 22.3** – DNFBPs are subject to PEPs requirements in the same manner as FIs. The analysis of R.12 and the respective deficiencies are also relevant for DNFBPs.

5. **Criterion 22.4** – DNFBPs are subject to requirements in relation to new technologies in the same manner as FIs. The analysis of R.15, and the respective deficiencies are also relevant for DNFBPs.

6. **Criterion 22.5** – DNFBPs are subject to requirements on the reliance on third parties in the same manner as FIs. The analysis of R. 17 and the respective deficiencies are also relevant for DNFBPs.

Weighting and conclusion

7. The analysis of R.10, 11, 12, 15 and 17 and the respective mostly minor technical deficiencies identified apply also in relation to DNFBPs, as applicable. **R.22 is re-rated largely compliant.**

Recommendation 23 – DNFBPs: Other measures

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated PC with former R.16. The technical deficiencies underlying this rating cascaded from other recommendations (namely former R. 13, 14, 15 & 21). Since the last assessment a new AMLTFL was adopted in 2018 and subsequently revised in 2019, and the latest amendments entered into force on 1 January 2023 ("Official Gazette", No. 151/22).

2. **Criterion 23.1** – The reporting requirements discussed under Rec. 20 are applicable also to all DNFBPs. The analysis of R.20 applies, although the TF definition for purposes of reporting of the amended Article 3(3) of the AMLTFL explicitly covers the financing of travel for the purposes of the criminal offence of terrorism or training for terrorism. The minor deficiency identified in c.20.1 in relation to the possibility to report a transaction after it takes place for non-defined justifiable reasons apply also in relation to DNFBPs.

3. In addition to the analysis of R.20 there are additional remarks specific for particular DNFBPs outlined below.

(a) The AMLTFL (Art.57(3)) goes beyond the FATF requirements and imposes an additional reporting obligation on lawyers, law firms, notaries public, audit companies, independent auditors, and external accountants (when providing accounting services (Art.9.18.a)) to inform the AMLO whenever a customer seeks advice in relation to ML or TF. Such information is required to be provided by not later than the following working day after the advice is sought.

(b) DPMSs are considered a RE when they carry out their business, rather than when they accept cash payments as envisaged under the FATF Recommendations (since cash transactions above HRK 75,000 (EUR 10,000) are prohibited in Croatia (AMLTFL, Art.55).

(c) TCSPs are also considered as a RE when they carry out the activities outlined in c.22.1(e) (AMLTFL, Art.4(36)).

4. **Criterion 23.2** – The internal controls requirements analysed under Rec. 18 are applicable to DNFBPs in the same manner as to FIs. This notwithstanding, Articles 13(3(12)) and 13(3(13)) require all REs to, respectively, have an independent ML/TF internal audit and have procedures for the screening of employees that are dependent on the size, nature and scope of business operations, as well as the ML/TF risk level that the RE is exposed to. Relevant deficiencies outlined under R.18 are applicable to DNFBPs, in particular, minor deficiencies in relation to requirements on group-wide measures and controls, intra-group information exchange, confidentiality safeguards to prevent tipping-off and enforcement to foreign branches and majority-owned subsidiaries of intra-group measures consistent with Croatian AML/CFT requirements in all cases.

5. **Criterion 23.3** – The high-risk countries requirements analysed under Rec. 19 are applicable to DNFBPs in the same manner as to FI. The analysis for R.19 and the minor deficiency outlined thereunder is thus applicable to DNFBPs.

6. **Criterion 23.4** – The tipping-off and confidentiality requirements applicable to FIs are applicable in the same manner to DNFBPs. In particular, Article 74(1)(2) of the AMLTFL imposes an explicit prohibition to all REs to inform the customer or a third person about the submission of

information, data or documents related to the submission of an STR to the AMLO. The same article in paragraph 2 provides this information to be "classified data", whose disclosure would be punishable under Article 347 of the Criminal Code (CC). January 2023 changes to the AMLTFL amend Article 77 so that also directors of REs are not civil or criminally liable for breach of obligation to safeguard the data representing a business and/or professional secrecy when reporting an STR to AMLO (AMLTFL, Art.77(3)).

Weighting and conclusion

7. Croatia is largely compliant with R.23. Minor shortcomings cascading from R.18, R.19 and R.20 are equally applicable here. **R. 23 is re-rated largely compliant.**

Recommendation 24 – Transparency and beneficial ownership of legal persons

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[PC] (upgrade requested, maintained at PC)

1. In the 4th round MER of 2013, Croatia was rated PC with former R.33. The assessment had highlighted concerns in connection with the misuse of bearer shares for ML purposes, as there was no information available on the number and value of bearer shares still in circulation, no measures were in place to mitigate the risk of bearer shares in circulation and moreover the evaluators were not able to verify the effectiveness of the prohibition on bearer shares introduced in 2008. Since the last assessment a new AMLTFL was adopted in 2018 and subsequently revised in 2019.

2. **Criterion 24.1** –

(a) *Identifying and describing the different types, forms and basic features of legal persons*

In Croatia the following types of legal persons may be set up: Companies (which in terms of Art. 3(3) of the Companies Law include General Partnerships, Limited Liability Companies (LLC) that may take the form of Simple LLC, Joint Stock Companies (JSC), Limited Partnerships and Economic Interest Associations (EIA)), Societas Europea, European Economic Interest Groupings, Institutions, Associations and Foundations. Associations acquire legal personality upon registration in the Register of Associations which is voluntary (Art.5 and 22(1) of the Law on Associations) Foundations acquires legal personality upon registration in the Register of Foundations. Foundation cannot lawfully carry out activity until it is registered. These types of legal persons, their form and basic characteristics are prescribed under several laws, namely the Companies Law in the case of Companies, the Institutions Law, Law on Associations and Law on Foundations in the case of Institutions, Associations and Foundations respectively. Societas Europea and European Economic Interest Groupings are regulated by EU legislation namely EU Regulation No. 2157/2001 and Council Regulation (EEC) No. 2137/85 respectively.

(b) *Process for creation and for obtaining basic and beneficial ownership information*

The process of establishment and registration, and for the obtainment and recording of basic information on different types of legal persons are stipulated under the different laws listed under point (a) above, depending on the type of legal person and the Court Register Law and the Law of the Court Register (for Institutions). The process and requirements posed on legal persons to hold and make available to the BO Register, BO information is set out under the AMLTFL and the Rulebook on BO Register issued by the MoF (see c. 24.6). Given that the processes for establishment and for the obtainment and recording of basic and BO information are set out in law these are publicly available.

3. **Criterion 24.2** – Croatia possesses large amount of intelligence and law enforcement information which was not consolidated and analysed in a systemic manner to assess the vulnerabilities of various types of legal persons the extent to which legal persons created or registered in Croatia can or are being misused for ML/TF. The authorities independently of each other demonstrated some understanding of vulnerabilities. While observing that the LLCs and Simple LLCs are the types of legal persons that are most frequently abused, Croatian authorities are reluctant to flag certain types of legal person as most vulnerable vehicle for ML, rather are inclined to focus on the schemes and criminal conduct itself (see Immediate Outcome 5). Following the evaluation, a new NRA is being undertaken and a new report is being drafted. It is proposed to

include a chapter dedicated solely to the identification of vulnerabilities and risks of legal persons.

4. **Criterion 24.3 –**

Companies and Institutions

5. Companies and Institutions acquire the status of a legal entity upon being registered in the Court Register (Art. 4 of the Companies Law and Art. 2 Institutions Law). All Companies, Societas Europea, European Interest Groupings and Institutions are required to be registered in the Court Register (Law on the Court Register, Art.6). Information that has to be entered in the register for all companies and institutions includes: the name of the entity, the seat and business address, name and surname of persons authorised to represent the entity, the legal organisational form, status changes and the date of adoption of the founding act amongst other information (Law on Court Register, Art.26-32). Companies must submit along with the application for registration in the Court Register the contract of establishment of the entity or articles of association (Companies Law: Art. 70(2) for General Partnerships rendered applicable also for Limited Partnerships by virtue of Art. 132; Art. 394(5) for LLC; Art. 187(2) for JSC; and Art. 588(5) for EIA).

6. Basic Information on Companies (including company name, proof of incorporation, legal form, status, company address, share capital, type of business activities and the list of persons authorised to represent the Company) and Institutions is, in terms of the Law on the Court Register (Art. 4) and the Companies Law (Art. 65), publicly available free of charge through the electronic on-line register (https://sudreg.pravosudje.hr/registar/f?p=150:1). The Founding Agreement/Articles of Association are available online if the company was formed online. If not formed online only the decision on establishment of the company is available for download but copies of the Founding Company Agreement/Association of the Company/Contract for formation can be requested during office hours.

7. Since 2019 online company registration has been available using the START system for LLC and Simplified LLCs/Simple Limited Companies. The applications and attachments are prescribed. Documents to be filed with Court Register are the same. The publicly available information on the criteria for a simplified company can be found in the published Companies Act.[8]

Associations

8. Associations are not required to be registered in the Register of Associations administered by the MoJA and registration is voluntary. However, Associations only acquire legal personality upon registration (Law on Associations, Art.5 and 22(1)). In terms of Art. 23 of the Law on Associations, the application for registration of an association needs to be accompanied by the statute of association (which includes basic information such as name, seat and information on the representation of the association) and other basic information such as the list of founders and the list of persons authorised to represent the association).The majority of basic information on registered associations contained in the Register of Associations is in terms of Art. 24 of the Law on Associations publicly available through the electronic on-line register (https://registri.uprava.hr/#!udruge). The statute forming an association is available on request from the Register of Associations.

Foundations

9. Foundations are set up by the formulation of the act of establishment and acquire legal personality and may perform their activities only upon being registered in the Register of Foundations (Law on Foundations, Art. 7(1-2) and 17(8)). In terms of Art. 16(1) Foundations are

8. Available at https://www.zakon.hr/z/546/Zakon-o-trgova%C4%8Dkim-dru%C5%A1tvima.

required to be registered in the Register of Foundations maintained by the competent administrative body of the county or the City of Zagreb. In terms of Art. 15(2), the application for registration of a foundation needs to be accompanied by the act of establishment of the foundation (which in accordance with Art. 7(5) shall include basic information such as the name and seat of the foundation, its purpose, details of the founder/s and information on the property of the foundation. The majority of basic information on registered Foundations is in terms of Art. 24 publicly available through the electronic on-line register (https://registri.uprava.hr/#!zaklade) and includes information on: the name and seat of the foundation, status, date of enrolment, persons authorised to represent the foundation and members of the governing body and the purpose of the foundation amongst other. The charter forming a foundation (Statute of Foundation) is available from the Register of Foundations.

10. **Criterion 24.4** – *Retention of Basic Information*

11. Not all the types of companies and Institutions are required to maintain the basic information set out under criterion 24.3 themselves. This information is transmitted to the Court Register as explained under criterion 24.3. The Court Register is responsible for maintaining and retention of basic information on a permanent basis[9] [Following the coming into force of legislation in March 2023 (Art.12 of the Law on Amendments to the Law on the Court Register), all persons submitting the documentation are obliged to retain the originals for 10 years].

12. (a) Companies: Two categories of companies may be set up under Croatian Law: Companies of Persons (i.e., General Partnerships, Limited Partnerships and EIA) and Companies of Capital (LLC and JSC) with the latter type having capital organised in shares (Art. 3(4) of the Company Law).

13. General Partnerships and Limited Partnerships are not required to keep information on members themselves. Information on the name and address of members is included in the registration application that is to be submitted to the register (Art. 70(1) of the Company Law) which has to be updated whenever there is the entry of new members or termination of membership (Art. 70(3). There is however no obligation to notify and keep the registry updated with information on the value of contribution of each member, nor there is an explicit obligation to notify the registry whenever members cease to be involved in a general partnership or limited partnership.

14. EIA are set up by two or more natural or legal persons in order to facilitate and promote the performance of the economic activities of such members, and does not have any share capital (Company Law, Art. 583). Details of the EIA's members have to be submitted to the Court Register for registration of the EIA and any changes thereto are to be notified to the Court Register (Company Law Art. 588(2-3)). The EIA's are not obliged to retain details of their members.

15. JSC – In accordance with Art. 226 of the Company Law registered shares of JSC shall be entered into the share register of the company indicating the shareholders' name and domicile or the firm name and seat (in the case of legal entities), if the company issued shares without nominal amount and their number, and if it is shares with nominal amounts their number and nominal amount. Commercial court is not obliged to hold details of the shareholders where the shares are in dematerialised form (the information is stored only in the case where only one shareholder holds all the shares of the company). Information on dematerialised shares is held by the Central Depository & Clearing Company Inc. (CDCC). CDCC operates as a central securities depository and a registry of dematerialised securities, where data on issuers, securities, securities accounts, securities holders and other legally required data is kept in the form of electronic records. The top 10 accounts with the most shares (top 10 shareholders) of every security (share)are publicly available by accessing CDCC

9. (Article 3(1) of the Law on the Court Register).

website. AMLO, State attorney, Police and the CFSSA for supervisory purposes can access the CDCCS records. The rights and obligations of shares are only considered to pertain to the person who is registered as their shareholder in the company's shareholder register (Companies Law Art. 226(2)). There is however no obligation to retain information on the categories of shares, and there is no explicit obligation for JSC or their management board to retain the register of shares for any period of time, and no specific obligation to retain it within Croatia and to notify the Court Register as to where such information is held. The authorities advise that Art. 253 of the Companies Law requires the management board to manage the affairs of the company with the attention of an orderly and conscientious businessperson and that this is interpreted by them to include an obligation to retain information on categories of shares. This might be a possible interpretation in practice, but it is not sufficiently direct. The authorities also point to Art. 382 of the Companies Law on the preservation of the business books and documentation of the company after liquidation, but this does not address the points raised in the MER.

16. LLC – Art. 410 of the Company Law requires the management board to keep a book of company's business shares (share register) which shall include: the name and surname, residential address or seat (if the company member is a legal entity) of each member of the company, business shares that he/she has taken over and what he/she has paid on that basis and any additional actions that he/she is obliged to fulfil towards the company (all liabilities arising from the business share and the number of votes he/she has in making decisions. Encumbrances and divisions of business shares and all other changes are also entered in the book. Any person who can prove that he or she has a legal interest in doing so has the right to review the book of business shares of the company during working hours. Art. 411(1) stipulates that only those members entered in the book of business shares and notified to the Commercial Court are recognised as members in the company. There is no specific obligation to retain the book of company's business shares within Croatia and to notify the Court Register as to where such information is held.

17. (b) Associations, Foundations and Institutions: An association is obliged to keep a list of its members. The list of members must contain information on personal name, personal identification number (OIB), date of birth, date of joining the association, membership category, if determined by the statute of the association and date of termination of membership in the association (Art. 12(3) and (4) of the Law on Associations). There is no explicit obligation to retain such information within Croatia at a location that is notified to the Register of Associations. A foundation is an asset holding vehicle intended to serve the realisation of a public benefit or a charitable purpose and is a non-profit legal entity without members (Art. 2 of the Law on Foundations). Institutions are set up by founders which may be domestic or foreign natural or legal persons. A public institution may be set up by the Republic of Croatia, local or regional government or another legal or natural person (where permitted by special law) for the permanent performance of activities of public interest as regulated by law (Arts. 1 and 7 of the Institutions Law). Institutions do not have any members or shareholders but the founders who are responsible for the obligations of the Institution, and if there are several founders, the mutual rights and obligations of the founders are regulated by the contract establishing the Institution. The contract of establishment may not exclude or limit the liability of the founders for the obligations of the institution. The act (including where more than one founder the contract) of establishment includes the name and residence of the founder(s) and is filed with the Court. Information regarding the founder has to be entered into the Court register and changes have to be entered in the Court register.

18. **Criterion 24.5** – In most cases the Companies Law is silent regarding the timeframes for updating information, but Art. 9(2) of the Law on Court Register requires an application for changes in recorded information to be submitted within 15 days from when the precondition for application

subsists (i.e., when the change materialises). Companies – In the case of general partnerships and limited partnerships Art. 70(3) of the Company Law (which is rendered applicable for limited partnerships via Art. 132) specifies that changes in the articles of association, company name and registered office, entry of a new member into the company, termination of membership in the company and changes to the representatives of the company or partnership shall be entered in the court register. This does not however tantamount to an explicit obligation to notify the registry with such changes.

19. JSC and LLC – Amendments to the JSC's statute or LLC Articles of Association become valid once they are entered into the register (Company Law Art. 303(3) and 454(2)). Art. 303(1) and 456(1) specify the manner in which changes to the statute or articles of association have to be notified to the Court Register, requiring the submission of an application accompanied by a notarised full text of the statute/articles. The notary public must confirm the accuracy of the full text of the revised statute/articles submitted together with the application, attesting that it contains all amendments agreed to by the company and that the unchanged sections correspond to the version of the statute/articles held by the Court Register. These provisions, however, do not explicitly oblige a JSC or LLC to notify the registry with changes to the statute/articles. The statute, moreover, does not include information on the directors of the company, nor does it indicate the company's basic regulating powers. In the case of LLCs changes to company directors are required to be notified without delay in terms of Art. 425(1) of the Company Law. Without delay is not defined so the timeframe specified in Art. 9 (2) of the Law on Court register would apply. No information was provided as to how changes to the [directors] management board members of the LLCs or to the JSC's and LLC's basic regulating powers are notified to the register. Changes to the [directors] management of JSCs have to be made in accordance with Art. 245(a) of the Company Law.

20. With regards to changes in shareholders of JSC, Art. 226(3) of the Company Law states that when a share is transferred the register of shares shall be updated upon request accompanied by proof of share transfer. The company may in terms of the same article request shareholders, who are obliged to inform it, whether shares held are owned by them. Intermediaries (who may be holding shares on behalf of shareholders) are also obliged to provide the company with all the necessary information for keeping the stock register. The fact that there is no time frame within which share transfers are to be notified to the Company and that the update of the register of shares is totally dependent on the shareholder making a request, undermines the company's ability to retain accurate and updated information on its shareholders. This is to a certain extent mitigated since shareholding rights are only recognised upon entry in the register (see c. 24.4).

21. LLCs are required to keep the book of business shares updated with any changes, and the management board is obliged to inform the Court Registrar on any change to the company members or their business shares without delay by submitting an updated list of company members, signed by the members of the management board (Art. 410(2) of the Company Law). Similarly, to JSCs the updating of the business register is occasioned by a request of an interested party (e.g., shareholder) or if the company becomes knowledgeable of any changes, however there is no explicit obligation for shareholders to notify the company with such changes. This undermines the company's ability to retain accurate and updated information on its shareholders. To a certain extent this deficiency is mitigated since shareholding rights are only recognised upon entry in the register (see criterion 24.4). In addition, where a notary notarises the transfer, that person is obliged to sign the list of members of the company and submit copies to the Court Register and the company, although this too mitigates the issue rather than completely addresses it.

22. EIA – Art. 588(3) of the Law on Companies indicates that changes to basic information, as well

as members of the association should be notified to the Court Registrar, even though the wording of the law could benefit from more clarity. As explained earlier on Art. 9(2) of the Law on Court Register requires an application for notification of changes to be made within 15 days.

23. Institutions like companies have their basic information registered in the Court Register and the Law of the Court Register requires information to be updated (Art. 24 and 33).

24. Save for where a notary is required to verify documents no information was provided on procedures of the Court Register to test/verify the accuracy of the basic information held on the Court register in relation to the formation of legal persons or after the information has been changed. Art. 81 of the Court Registry Act prescribes the procedure for sanctions.

25. Associations and Foundations: Persons responsible for the representation of associations and foundations are bound to notify the Registrar of Associations/Foundations when there are changes to basic information or the statute of the association/foundation and submit all necessary evidence (Art. 27(1) of the Law on Associations & Art. 19(1) of the Law on Foundations). In the case of Associations Art. 27(3) requires that such changes be notified to the Registrar within 60 days, while Art. 27(5) stipulates that such changes become legally applicable upon entry in the register. An equivalent change has been made to Art. 19 of the Law on Foundations.

26. As explained under criterion 24.4 associations are obliged to keep a list of members, which should include the date when members join and leave the association. This requirement has been bolstered by an amendment to the Law on Associations (Art. 43), which provides for supervision of this obligation. Foundations do not have members (see criterion 24.4).

27. A request for change accompanied by necessary evidence in relation to an Association/Foundation is submitted to a public servant who has to determine the facts and can reject the application or can seek further clarifications. The determination includes whether legal requirements have been met. No qualifications in law are prescribed for these civil servants but normally they will have competed tertiary education with a law degree. Reasons for rejecting the application for associations are prescribed at Art. 27 of the Law of Associations and Art. 19 of the Law of Foundations. If the legal conditions are met a decision on entry is made and data is entered into the Register of Associations.

28. **Criterion 24.6** – Croatia relies on a number of mechanisms to ensure that BO information on companies and other legal persons set up under Croatian law is available.

(a) & (b) - (i) Legal persons (Companies, Branches of Foreign Companies, Associations, Foundations and Institutions) established in the territory of Croatia are obliged in terms of AMLTFL (Art. 33(1)) to have appropriate, accurate and updated information on their BOs (name and surname, country of residence, date of birth, identification number or information on identification document, citizenship and information on the nature and extent of BO), and on the ownership structure. Companies are also required to have data on percentage of shares, stakes, voting rights, any other means of control over the legal entity is exercised or any other form of participation in the ownership of the company.

AMLTFL (Art.33(6)) puts an obligation on BOs of these legal persons to provide the information outlined under para. 1(a) to the management board or legal representatives of the legal person. In terms of AMLTFL (Art. 33(4)) such legal persons are obliged to input data on their BOs in the BO Register that is maintained by the Financial Agency on behalf of the AMLO. The Rulebook on BO Register issued by the MoF prescribes the manner and time-frames for inputting BO information. In accordance with the Rulebook (Art. 14), legal persons that were already in existence upon the setting up of the register of BOs were

required to input in the register information about their BOs by the 31 December 2019. Legal persons established after 1 December 2019 are obliged to enter the BO data in the Register by not later than 30 days from the establishment date of the legal person.

(c) Moreover, in populating the BO register the Financial Agency is granted access to the various registries that hold information on various types of legal persons including the Court Register and the Registers of Associations and Foundations, and also access to information on such legal persons held by the TA.

As stipulated under AMLTFL (Art. 34(1)) of the (and complemented by more detailed provisions under the Rulebook) the register of BOs is accessible to the AMLO, supervisors and other services within the MoF (i.e., Financial Inspectorate, TA and CA), the Ministry of Interior (MoI) (which includes the Police, Police National Office for Suppression of Corruption and Organised Crime (PNUSKOK)) the CNB, CFSSA, the SAO, the Security and Intelligence Agency (SIA), and other state authorities and various government ministries. The register is also accessible to reporting entities (subject to varied access methods and levels) and the public has access to limited data that is available free of charge online[10] (ii) As mentioned under c. 10.5 and 10.10 reporting entities are required to identify and verify the identity of BOs of customers that are legal persons, and are moreover required to retain such information for 10 years after the termination of the business relationship or the carrying out of an occasional transaction (see c. 11.2).

Such records are accessible to the AMLO, which may order the delivery of BO information within a stipulated time and not later than 15 days.

Art. 67(6) of the AMLTFL and sector-specific laws include requirements binding reporting entities to provide all documentation, reports and information that is necessary for supervisory purposes. Thus, the CNB, Financial Inspectorate het CFSSA and TA can access BO information via supervised REs, when conducting supervisory actions.

Art. 36(4) of AMLTFL enables the TA to obtain BO information from legal persons directly.

Law enforcement authorities may access CDD information (including BO information) held by reporting entities upon a court order, in line with the Criminal Procedure Code (CPC) provisions. Mechanisms exist for the LEAs, where there are reasonable grounds to believe a criminal offence has been committed, to obtain BO directly from legal persons.

Information on listed companies is publicly available on the Zagreb Stock Exchange which impose rules on shareholding as set out in the listing rules.[11]

29. **Criterion 24.7** – There are various measures and mechanisms to ensure the retention of accurate and up-to-date BO information of legal persons setup in Croatia and additional measures regarding interaction between databases are in the pipeline.

30. Companies and other legal persons (Companies, Branches of Foreign Companies, Associations, Foundations and Institutions) are bound to have appropriate, accurate and updated information on their BOs (AMLTFL, Art. 33(1)). The Rulebook on BO Registry (Art. 15(1)) requires legal persons to provide to the registry updated information on their BOs, whenever there is a change in BOs. Such updated information has to be provided to the registry within 30 days from when a change occurs.

10. Available at https://rsv.fina.hr/RSV-OnLineUnos-web/login.
11. Listing Rules and Regulations (zse.hr).

31. The AMLTFL and the Rulebook provides for specific supervisory mechanisms to ensure that accurate BO information is being provided by legal persons and in a timely manner. The Rulebook (Art.18) provides that the Financial Agency shall perform supervision based on verification of data held in the Register, to determine whether the BO information that is required to be provided by legal persons under the Law and Rulebook has been provided and has been provided within the time-frames specified. Moreover, the TA is in terms of the AMLTFL (Art. 36) and the Rulebook (Art. 19) tasked to supervise legal persons that are obliged to provide BO information to the register, and to determine whether they have accurate and complete data on their BOs and whether they have registered accurate and complete data BO information in the prescribed manner and within the specified deadlines.

32. Croatia has advised that a project begun in June 2019 to connect the Court Register, Register of Associations and Register of Foundations with the BO Register has been completed this connection allows the automatic download of legal persons' basic ownership information as it occurs; the download of newly incorporated legal persons subject to BO registration; and performance of analysis as between the relevant basic ownership register and the BO Register. Croatia has designated 2 authorities to carry out activities related to BO Register: FINA and TA. While FINA carries out the registration process then TA has authority to supervise/conduct checks (according to procedure in place since March 2023), including on whether the legal persons/trusts and similar legal arrangements hold accurate, current and complete data and whether they have signed these data in the BO Register. In this regard, TA is authorised to initiate misdemeanour proceedings in case of breaches. The audits are selected by the TA based on the risk analysis, which considers the information received from banks via FIU, etc. During and/or after the completion of the audits, the obliged entities entered the correct data in the BO Register, and the obliged entities who did not submit the requested documentation are in the process of further monitoring. Since the evaluation the TA has issued 76 financial penalties for misdemeanours relating to the verification of the accuracy and timeliness of data entry in the BO Register. Authorities demonstrated that regardless of the fact that the fines were minimal the sanctions applied had a positive impact and resulted with the further population of BO Register.

33. Art. 35.a of the AMLTFL provides for a mechanism for the reporting of noted discrepancies on BO information. RE and other competent authorities are bound to inform the AMLO when they note that BO information that they hold on a legal person does not correspond with the BO information held in the Register. Art 16(8) of the AMLTF Law has been amended to apply CDD measures to existing customers in a timely way and on the basis of risk, particularly for customers whose circumstances relevant to the application of the law have changed compared or which need to be contacted by reporting entities as a result of legal obligation to verify all relevant information related to beneficial owners. previously When deciding on the frequency of implementation of measures prescribed in Article 16(8) of the AMLTF, the reporting entity must take into account all the circumstances related to the customer (new and existing ones), the adequacy of the previously collected data on the customer and the timing of the previously conducted CDD. Furthermore, Article 30(5) of AMLTF Law requires reporting entities, when identifying and verifying the BO, to also collect excerpt from BO Register not older than 1 month. According to Croatian authorities some banks also use the additional feature of BO Register - the so called "overnight download" of changes from the BO Register. The feature enables bank to receive on a daily basis every change of BO data signed/updated in the BO Register in relation to its customers upon which bank can act accordingly (carry out CDD or report discrepancy).

34. REs establishing business relationships with legal persons set up in Croatia are required to take measures to ensure that CDD information (including BO information) is kept up to date. REs are

supervised for the implementation of their AML/CFT obligations by the various sectorial supervisory authorities.

35. **Criterion 24.8** –

(a) As set out under c. 24.6 legal persons established in the territory of Croatia are obliged to have appropriate, accurate and updated BO information, (Art. 33 (3) to (5) AMLTFL) are obliged to input such information in the BO Register, and are also obliged to update the Register whenever there are changes to the BOs (see c. 24.7).

However, there is no requirement under Croatian Law for the members of the management board or other responsible persons (in case of other types of legal persons beside Companies) to be resident in Croatia and be accountable to competent authorities for it.

(b) DNFBPs are required to provide BO information of legal persons to AMLO for performing its operational and strategic analysis (AMLTFL, Art.113(1-4)). However, there is no specific legal provision requiring that a DNFBP be authorised by the company, and accountable to authorities, for providing all basic and BO information, as well as providing further assistance.

36. **Criterion 24.9** – *Retention of Basic Information*

37. In terms of Art. 3(1) of the Law on the Court Register, all basic information on Companies and Institutions that is required to be registered (see c. 24.3), shall be kept permanently by the Commercial Courts. Likewise, all basic information on Associations and Foundations that is required to transmitted to the Register of Associations and Foundations is held on a permanent basis (see c.24.3).

38. General Partnerships, Limited Partnerships and EIA are not required to keep information on members themselves (see c.24.4.). This information is kept by the Commercial Court (Court Register) and hence required to be kept permanently. The Croatian authorities also note that this information must be published under Art. 589 of the Companies Law but have otherwise not addressed this point. In the case of JSC and LLC shares, and shareholder information is required to be entered into share registers, although there is no explicit obligation on JSCs and LLCs to keep share registers for any period of time – see c. 24.4. According to authorities, in accordance with the provision of Art. 29 of the Law on Amendments to the Law on Commercial Companies ("Official Gazette", No. 34/2022), the provision of Art. 630, paragraph 1, points 25.b, 55.a and 64.a were added, which established misdemeanour liability for companies and responsible persons in companies if they do not keep the business books and documentation of the company or entrust them to a person who provides business documentation storage services. However, no timeframe is given for the period the information should be retained. Upon the dissolution of a JSC or a LLC the liquidator shall pass on the company's accounts and documents including share/shareholder information to the Croatian Chamber of Commerce for safe-keeping (Art. 382(4) and 472f of the Law on Companies) whilst again no timeframe is given for the period the information should be retained for. At the same time authorities advised that according to accounting act there is obligation to keep Business books, namely *diary and ledger* at least eleven years and *auxiliary books* at least eleven years. This, however, applies only to accounting records and not the wide record keeping requirements of the criterion, as well as it does not oblige Chamber of Commerce to keep the records in line with the criterion.

39. Associations are required to maintain a list of members (Art 12 (3)) no timeframe for retention of this information is specified.

Retention of Beneficial Ownership Information

40. BO Information of legal persons set up in Croatia that is registered in the BO Register shall be kept permanently registered (AMLTFL, Art. 32(4) and the Rulebook Art. 10(4)), irrespective of whether the legal person ceases to exist.

41. Reporting entities are required to retain basic and BO information of customer that are legal persons for 10 years after the termination of the business relationship or the carrying out of an occasional transaction (see c. 11.2).

42. **Criterion 24.10** – Basic information on legal persons that is held in the respective registers for Companies, Institutions, Foundations and Associations is publicly available through the various electronic registers and by request where not held electronically (see c. 24.3).

43. As explained under c. 24.6 the BO Register is accessible to the AMLO, supervisors and other services within the MoF (i.e., Financial Inspectorate, TA and CA), the MoI (which includes the Police, PNUSKOK) the CNB, CFSSA, the SAO, the SIA and other state authorities and various government ministries.

44. Moreover, CDD records (including basic and BO information of customers that are legal persons) retained by reporting entities are accessible to the AMLO, although within 15 days from making a request. Generic requirements under Art. 67(6) of the AMLTFL and sector-specific laws bind reporting entities to provide to supervisors all documentation, reports and information, which according to examples provided by authorities include powers to obtain CDD and BO information.

45. Photographic ID documents are not held in the BO Register. A photographic ID document is required for the verification of the identity of the person authorised to enter data into the BO Register.

46. **Criterion 24.11** – As set out under c. 24.4. only JSCc and LLCc are considered to be Capital Companies (Art. 3(4) of the Company Law) having capital organised in shares. Hence only these two types of legal persons were assessed for compliance with this criterion.

47. As from the 1 April 2008 JSCs in Croatia are no longer allowed to issue shares in bearer form. Art. 170 and 171(2) of the Law on Companies stipulate that all shares issued by JSCs must include the name and surname of the person for whom the share has been issued, which component is to be included in the share document. Croatian Authorities have indicated that no specific measures were taken to change bearer shares (issued pre-2008) into registered shares. According to data from central securities depository, 5 JSC issued bearer shares out of a total 690 JSC. Those 5 companies have issued total of 330.832.874 shares, 66.023 of which are bearer shares. No data is available on how many of these have been converted into registered shares. Under the current legislative provisions bearer shares cannot be transferred, exercise any rights attaching to them such as the right to vote or being traded without BO being ascertained. Further, the authorities advise that, by virtue of Art. 226 of the Companies Law, only a person who is registered as a shareholder can be a shareholder (as well as persons who hold bearer shares having none of the rights possessed by shareholders). The practical effect of this is to immobilise any bearer shares still in existence.

48. LLC legislation has never permitted the issuance of bearer shares.

49. **Criterion 24.12** – Directors: Croatian law does not provide explicit reference to or the possibility for nominee directors. The only persons who can under statute act as directors are members of the supervisory and management boards of a company. The Croatian authorities advise that it is contrary to the principles of Croatian law and it is also illegal for a member of one of these boards to act as the nominee of another person (including within any relationship where the director

might be acting under the control of a third party) and that, were a person to act in this way as a nominee, both the nominator and the nominee are subject to penalties.

50. Shareholders: In terms of nominee shareholder arrangements an example was given in the 2020 NRA, in relation to tax evasion, of an "… account held by a Croatian company controlled by the offender but formally owned by a person subsequently to be homeless, a person with special needs or persons with dual citizenship…". Art. 631(2) of the Companies Law provides for penalties (fine in minimum of EUR 920 and maximum of EUR 6630) for: (i) a person who uses a shareholder's shares to exercise rights in in a general or special meeting with the shareholder's consent when a special benefit has been given or promised;(ii) a shareholder transferring shares to a third party on the basis of a gift or special benefit*;* (iii) a person who uses a shareholder's shares to exercise a right to vote which should not be exercised; (iv) a shareholder who transfers shares to a third party for voting purposes in a general or special meeting when neither the shareholder not the third party has the right to exercise a vote; (v) a shareholder who demands a special benefit in return for exercising or not exercising a vote in a certain way in a general or special meeting; (vi) a person who offers, promises or gives a special benefit to vote or not vote in a certain way in a general or special meeting; (vii) a person who fails to submit to the Registry Court or the company a list of shareholders or does so late or does not provide full information or there are other filing failings; (viii) the company is not properly informed about that shares have been registered. These provisions are positive in addressing sub-criterion 24.12(c) although do not fully meet the criterion.

51. The Companies Law Art. 148 permits secret societies which are a form of secret partnerships where a secret member invests in an entrepreneur's business and may benefit from eventual profits of the business. Art. 148 (5) provides if a notary is involved in drawing up the secret society contract, they have to submit a copy of the TA, if there is no notary then the entrepreneur has within 15 days of conclusion of the secret society contract to submit a copy to the TA. Art. 153 indicates "the death of a secret member does not lead to the dissolution of the society". There is no requirement to update the TA as to a change in secret member or other BO of the interest created by the secret society contract unless the secret society contract is changed. Information regarding the beneficiary of a secret society contract would only be included in the BO register if they had a controlling interest. A secret society agreement directly with a joint stock or limited liability company is business of agreement that has to be registered with the Court under Art. 480 of the Companies Law, contracts for a partial share of profits with employees, members of the supervisory or management board or executive directors do not have to be registered.

52. **Criterion 24.13** – Under Art. 630 of the Company Law sanctions may be imposed on all types of companies for failure to enter the required data in the Court Register and for failure to notify the Court Register with the termination of the company or the expulsion or withdrawal of a member. This same article also lays down sanctions:

(i) for JSCs that: fail to enter registered shares in the register of shares and fail to report to the Court register: changes in the composition of the supervisory or management board and changes to the statute;

(ii) for LLCs that do not keep a book of business shares or do not keep it properly, that do not notify the Court Register with changes to the book of business shares in time or provide incorrect notifications, changes to the composition of the management board and changes to the articles of association.

53. A fine of up to HRK 50,000 (EUR 6,700) may be imposed on the Company for the above-mentioned breaches, while company responsible persons may be fined up to the amount of HRK 7,000 (EUR 934) for these same violations or a fine up to the amount of HRK 50,000 (EUR 6,700) if

the violations are considered serious and have been committed in order to acquire illegal property gain.

54. Art. 631 on the other hand lays down sanctions for persons who do not provide to a JSC information on their shareholding or provide incorrect, incomplete or untimely information. For such breaches a fine of up to HRK 7,000 (EUR 934) or up to HRK 50,000 (EUR 6,700) in the case of serious breaches committed in order to acquire illegal property gain, may be imposed.

55. The Associations Law and the Foundations Law do not apportion liability or prescribe sanctions for violations although supervisory action can be taken for failure to comply with the requirements which may result in a fine being imposed if there is failure to eliminate deficiencies and irregularities (Art.139 General Administrative Procedure Act). The Associations Law has been amended to include provisions on the imposition of fines (Art.54a(1) and (2)), including where an official of the Register of Associations identifies a deficiency in the Register and the association does not remedy the deficiency within the period specified by Register officials. The fine for the association is specified as being a minimum of EUR 300 and a maximum of EUR 1,900; fines also apply to the responsible person of the association (EUR 150 to EUR 663). According to authorities, these fines can be applied for the misdemeanours of not eliminating timely identified deficiencies and irregularities, related to the notification of data changes to the Register of associations, the orderly maintenance of the list of members of the association, the omission of regular holding the assembly session and other identified deficiencies in the supervision procedure. While these changes improve the position at the time of the evaluation, there is no sanction in relation to failure to meet the requirements in c.24.3 to 24.5 in relation to information kept at the association or for providing changes to the Register of Associations late or for not notifying the change at all. The Foundations Law has been amended in the same way (Art. 46a) and the same points apply.

56. The AMLTFL (Art. 153(4-9) prescribe sanctions for legal persons which do not adhere to their obligations to hold accurate and updated BO information and to provide such information to the register of BOs in a timely manner. Fines ranging from HRK 5,000 (EUR 670) to HRK 350,000 (EUR 47,000) may be imposed on legal persons, while fines ranging between HRK 5,000 to HRK 75,000 (EUR 670 to 10,000) may be imposed on the members of the management board or responsible persons of legal persons. For the most severe types of contraventions (and where proceeds are gained or damage caused) the maximum fine on the legal person may increase up to twice the amount of benefit derived from the contravention or HRK 750,000 (EUR 100,000), while the maximum fine on the members of the management board or responsible persons of such a legal person may increase up to HRK 100,000 (EUR 13,000).

57. Sanctions are available under the AMLTFL for reporting entities, members of the management board and responsible persons of such reporting entities for failure to carry out their AML/CFT obligations under the AMLTFL including the identification and verification of BOs, the retention of CDD information (including BO information) and the provision of information to the AMLO upon request (see R.35) and provision of CDD information to relevant competent supervisory authority.

58. **Criterion 24.14** –

(a) – (c) As set out under c. 24.3 the respective official registers (Court Register, Register of Associations, Register of Foundations) which hold basic and shareholder information (names and other personal details of shareholders) of companies and other legal persons are publicly available.

With regards to BO information that is held in the BO Register, the AMLTFL (Art. 34(2) clearly stipulates that the AMLO, supervisors and other services within the MoF (i.e.,

Financial Inspectorate, TA and CA), the CNB, CFSSA, the SAO, the SIA, the MoI (which includes the Police) and other state authorities (among others) shall have timely and unrestricted access to the register to perform the tasks within their competence (including that of exchanging information with foreign counterparts). Art. 34 further states that these competent authorities are required to transmit BO information held in the Register to their foreign counterparts in other EU Member States when requested.

Analysis and deficiencies identified in R.37-40 are relevant here. R.37 and R.40 were respectively rated as LC and PC in the MER. Compliance with a range of criteria in R.40 has improved and has been re-rated in this report.

59. **Criterion 24.15** – The AMLO and Police don't monitor and keep ratings on the quality and usefulness of basic and BO information received from foreign FIUs. However, the AMLO and Police indicated that they would be able to give feedback on the quality of information provided when requested by the foreign counterparts. Other competent authorities have not explained how they monitor the quality of assistance received from counterparts in foreign jurisdictions.

Weighting and conclusion

60. Number of deficiencies remain amounting to moderate shortcomings: (i) there is no comprehensive assessment of the ML/TF risks and vulnerabilities associated with all types of legal persons that may be set up in Croatia (c.24.2); (ii) there are no obligations for legal persons to keep details of members, retain lists of shareholders or members in Croatia, or notify the relevant register where the information is held (c.24.4); (iii) there is a lack of explicit obligations to update the required basic information in terms of types, amounts and holders of shares and the length of time such registers should be held. There are no mechanisms to test/verify the basic or beneficial ownership information in the Court register, Register of Associations/foundations or beneficial ownership register or any changes to that information (c.24.5); (iv) there is no requirement under Croatian Law for the members of the management board or other responsible persons (in the case of other types of legal persons besides Companies) to be resident in Croatia and be accountable to competent authorities for it. (c.24.8(a)); (v) there is no specific legal provision requiring that a DNFBP be authorised by the company, and accountable to authorities, for providing all basic and BO information, as well as providing further assistance (c.24.8(b)); (vi) general Partnerships, Limited Partnerships and EIA are not required to keep information on members themselves. (c.24.9); (vii) there is no explicit obligation on JSCs and LLCs to keep share registers for any period of time. (c.24.9); (viii) no timeframe is given for the period during which the information should be retained by the Croatian Chamber of Commerce for safe-keeping after the liquidator has passed it upon the dissolution of a JSC or LLC. (c.24.9); (ix) there is no timeframe specified for retention of the list of members by associations. (c.24.9); (xii) no explicit prohibition of nominee shareholders or nominee directors in Croatia (c.24.12); (xiii) the Associations Law and the Foundations Law do not apportion liability or prescribe sanctions for violations although supervisory action can be taken, and fines may be imposed (Art. 139 General Administrative Procedure Act (c.24.13); (xiv) there are deficiencies identified in R. 37-40 are relevant to international co-operation on rapid provision of basic information (c-24-14); and, (xv) the AMLO and Police don't monitor and keep ratings on the quality and usefulness of basic and beneficial ownership information received from foreign FIUs (c.24.15). **R.24 remains rated partially compliant.**

Recommendation 32 – Cash couriers

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated LC on SR.IX. In the 4th MER, Croatia had no powers to apply sanctions to persons who made a false declaration and had no requirement to retain some relevant information in some cases. Since July 2013 Croatia is a member of the EU and in this regard EU supranational legislation applies.

2. **Criterion 32.1** – Croatia has implemented a (written) declaration system for incoming and outgoing transportation of accompanied cash (i.e., currency and Bearer Negotiable Instruments (BNIs)) and a disclosure system for the transportation of unaccompanied cash (including transportation through mail and cargo) of amounts of a value of EUR 10,000 or more set forth in the EU Regulation 2018/1672, meaning that these systems have been established on a supra-national basis (European Union) and apply to movements (both inward and outward) of cash from and to the EU. Art. 40a of the Foreign Exchange Law (FEL), in force since June 2021, also established a disclosure system for movement of cash and BNI within the EU. However, this article applies only to natural persons and, therefore, does not cover the physical transportation of cash through container cargo or the shipment of cash through mail within the EU. The templates for declaration of cash referred to in Art. 3(3) and 4(3) of the EU Regulation 2018/1672 and Art. 40a of the FEL are published at the Customs Administration website[12] (Art. 59 of the FEL).

3. **Criterion 32.2** – Natural persons entering or leaving the EU through Croatia carrying cash equal to or exceeding EUR 10,000 should make a written declaration to the CA (FEL, Art 40).

4. **Criterion 32.3** – Art. 4 of the EU Regulation 2018/1672, directly applicable in Croatia, imposes disclosure of the unaccompanied cash. Croatia has also established, due to amendments to the FEL (Art. 40a) the disclosure system of moving cash within EU (please see information under c.32.1). In both cases, and in line with Art.4(1) of the EU Regulation 2018/1672 and Art. 40a of the FEL, respectively, the disclosure declaration is valid if the information provided is correct, complete and the cash has been made available for control.

5. **Criterion 32.4** – CA supervise the compliance with the obligation to declare currency or BNIs (FEL, Art.59). The CA officers shall check the submitted documents and have the right to request any additional information from the person obliged to fulfil their duties (CA Law (Customs service law (CSL)) Art.32), as well as to check items which they carry (CSL Art. 43) and to monitor, stop, inspect and check transportation vehicle (CSL Art. 48).

6. **Criterion 32.5** – The FEL provides misdemeanour sanctions, together with confiscation of the undeclared cash, for persons who fail to declare or disclose transportation of cash in the amount of EUR 10,000 or more. A person fails to meet the obligations to declare or disclose if the information provided is incorrect or incomplete or the cash is not made available for control of the authorities. Regarding failures to comply with the obligation to declare accompanied cash established under Art.3 of the EU Regulation 2018/1672, amendments to Art.69 of the FEL establish fines from EUR 5,300 to 53,080 (HRK 40.000 to HRK 400,000) to legal persons, from EUR 3.310 to 33.180 (HRK 25,000 and HRK 250,000) to sole traders, from EUR 660 to 13,270 (HRK 5.000 to 100,000) to natural persons and from EUR 390 to 13,270 (HRK 3,000 and HRK 100,000) to responsible persons of the

12. Available at https://carina.gov.hr/featured/information-for-passengers-natural-persons/bringing-cash-and-goods-across-the-border/6711.

legal person. Similarly, Articles 69a and 69b of the FEL establish fines from EUR 660 to 13,270 (HRK 5,000 to 100,000) to natural persons in case of infringements of the obligation to disclose unaccompanied cash set out in Art.4 of the EU Regulation 2018/1672 and the obligation to disclose cash entering or leaving Croatia from/to a Member State, respectively.

7. In terms of dissuasiveness and proportionality of sanctions, Art.69c allows, in cases where the cash subject to infringement is EUR 100,000 or more or if it was concealed or if the offence is committed to another particularly onerous means, to raise the amount of the imposable sanctions up to EUR 265,440 (HRK 2,000,000) in the case of legal persons, up to 132,720 EUR (HRK 1,000,000) in the case of natural persons and up to 26,540 EUR (HRK 200,000) in the case of responsible persons of legal persons. In any case, the imposed penalties shall be lower than 60% of the amount of the undeclared cash (Art.69c of the FEL).

8. **Criterion 32.6** – The CA shall inform the AMLO of every report of the incoming and outgoing cross-border cash or BNIs transportation in the amount of EUR 10,000 or more; unreported cross-border transportation of cash or BNIs; notify about suspicious cross-border transportation or attempt of transportation of cash or BNIs irrespective of the amount (AMLTFL, Art. 121(1-3)).

9. The referred information is reported by the CA to the AMLO electronically, using the AMLO's application software and filling in a form that includes information regarding cash, cash courier, cash owner, intended cash recipient, reasons for suspicion on ML/TF and the CA's organisation Unit (Rulebook on the means and extent of reporting cash transport across the state border to the anti-money laundering office by CA).

10. **Criterion 32.7** – The CA shall co-operate with state bodies, local and regional self-government units and legal persons having public authority to take measures to achieve the efficient and purposeful performance of the customs services. For this purpose, the CA may conclude a co-operation agreement (CSL, Art. 5). In this regard two documents were arranged in 2007: (i) a Protocol on co-operation and exchange of information between the MoI, MoF – CA, TA, Financial Police, Financial inspectorate and the AMLO, and (ii) a Protocol on Co-operation and Establishment of Inter-Institutional Working Group for the Prevention of Money Laundering and Terrorist Financing.

11. **Criterion 32.8** –

(a) - (c) Under the general powers the CA is authorised to detect, prevent, and suppress misdemeanours and criminal offences, detect and collect data on these offences and perpetrators and implement evidentiary actions in criminal proceedings in accordance with the provisions of the CPC (CSL, Art.4(3(6)). Thus, the competent authorities would be able to stop or restrain currencies and BNI in order to ascertain where the evidence of ML/TF may be found within the powers provided by CPC (CSL, Art.48 and 50-52). Additionally, Art.40b of the FEL, in force since June 2021, empowers the Customs Administration to temporarily retain, within the deadlines stipulated by EU Regulation 2018/1672 (30 days, which can be extended to 90 days after the Customs Administration assesses the necessity and proportionality of such), cash in respect of which the obligation to report or disclose data at the request of an authorised official has not been fulfilled. This also refers to cash in connection with which there are indications of criminal activity.

12. **Criterion 32.9** –

(a) – (c) The Central Office of the CA collaborates with competent services of other countries, international organisations and expert associations within its competence (CSL, Art. 11(28)). Croatian authorities co-operate with foreign counterparts (EU Member States and the third

countries) following the terms established under Articles 10 and 11 of the EU Regulation 2018/1672. Croatia concluded also 15 bilateral agreements which govern customs co-operation. CA participates in the international joint customs operations aimed at preventing ML and control legal trans-border cash movements (ATHENA, CERBERUS). In addition, CA at local level utilise powers conferred by the EU Regulation 515/97, which allows the exchange of operational information related to false declarations with other EU member States. Information obtained from the declaration regime is retained by the CA for a period of ten years (AMLCFT Law Art. 122 (2)). CA is obliged to submit information on cash transaction to the AMLO (AMLTF Art. 121) which will keep information for 10 years (AMLTF Art. 145). This information contains data on (i) the amount of currency or BNIs declared and (ii) the identification data of the bearer(s).

13. **Criterion 32.10** – As the member of the EU, Croatia shall apply safeguards to the personal data privacy as stipulated in EU Regulation 2018/1672 (Arts. 12-13). Personal data collected by the CA is subject to the regulations concerning personal data protection (CSL, Art. 29(2)). A specifically authorised CA officer submits notifications to the AMLO, electronically. Officers of the AMLO, dealing with data, information and documentation are obliged to keep it as secret until they are released in accordance with law (AMLCFT Law, Art.143 (2)). There are no constraints in place limiting trade payments between countries for goods, services or the freedom of capital movements.

14. **Criterion 32.11** – Persons transporting cash related to ML/TF or predicate offences are subject to criminal sanctions. Criminal sanctions for ML offences are not proportionate and dissuasive. Criminal sanctions for TF are proportionate and dissuasive. Confiscation mechanisms are regulated under the CC and CPC. Strengths and vulnerabilities of the system, as described under R.4 would equally apply here.

Weighting and conclusion

15. The majority of the requirements under this Recommendation are implemented adequately. However, regulatory measures not extending to physical transportation of cash through container cargo or the shipment of cash through mail within the EU and vulnerabilities of the confiscation mechanisms described under R.4 constitute minor shortcomings. **R.32 is re-rated largely compliant.**

Recommendation 40 – Other forms of international co-operation

	Year	Rating and subsequent re-rating
MER	[2021]	[PC]
FUR1	[2023]	[LC↑] (upgrade requested)

1. In the 4th round MER of 2013, Croatia was rated Largely compliant on R.40. The deficiencies related to absence in the AMLTFL of provisions dealing with the predicate offence co-operation, as well as the lack of comprehensive statistics on international co-operation.

General Principles

2. **Criterion 40.1** – All competent authorities are able to provide the widest range of international co-operation in relation to ML, associated predicate offences and TF, on a timely basis, spontaneously and upon request (AMLTFL, Art.90-93, Art.127-130, Judicial Co-operation in Criminal Matters with the EU Member States Law (JCCMEUL), Art.3(4), 6-8 and 10, other sectorial legislation). Co-operation with EU and non-EU Member States is conducted on the basis of conventions, bilateral and multilateral agreements or on the basis of reciprocity. Croatia co-operates also through mechanisms provided by the Egmont Group, Europol, Eurojust, INTERPOL and other.

3. **Criterion 40.2** –

(a) Competent authorities have a legal basis for providing co-operation – see c.40.1 above;

(b) Competent authorities are not prevented from using the most efficient means possible for providing the widest range of assistance;

(c) The AMLO uses secure communication channels (FIU.net, Egmont Secure Web and encrypted e mails) in the international data exchange with a foreign FIU (AMLTFL, Art.136)

CNB uses a secure information channel (IMAS) for communication with the European Central Bank. It also uses a secure information channel (Air Watch) for information exchange with other counterparts.

Financial Inspectorate - under a Procedure of Co-operation of the Financial Inspectorate with the Competent Authorities of Member States and Third Countries enacted on 9 October 2022, information exchange with EU Member States must be done using encrypted emails (with passwords sent separately), and with third countries in accordance with any agreement entered into with the country in question.

The TA communicates with EU Member States via EU COM (DG TAXUD) secure CCN/CSI (Common Communication Network/Common Systems Interface), and with third countries via certified or priority mail, namely by encrypted emails (with passwords sent separately). This is used for information exchange with the regulatory bodies in other countries who are the competent supervisory authorities for casinos, d games of chance, and registers of beneficial ownership.

The CA uses the European Anti-Fraud Office Customs Information System and the Naples II Convention, which ensures secure exchange of information with its EU counterparts. With non-EU counterparts, it exchanges information in formal way based on bilateral agreements. Data from cash seizures are inserted into the designated secure World Custom's Organisation platform CEN-comm (Customs Enforcement Network Communication Network).

The Police uses the INTERPOL (I-24/7), EUROPOL (SIENA) and SIS (SIRENE) mechanisms, as well as framework of the Swedish initiative, the liaison officers abroad and foreign police liaison officers in Croatia.

(d) The AMLO follows the Egmont Principles for the prioritisation or timely execution of requests. The Police, the CNB and the Tax Authority when co-operating on tax matters also have clear procedure on prioritisation of requests from the foreign counterparts. There are also procedures for the prioritisation and timely execution of requests in the FI's Procedure for Co-operation referred to above and in the CFSSA's Procedure for Suppling Information Upon Request to Supervisory Authorities and Other Institutions of Other Countries enacted on 3 May 2023, as well as procedures for the TA when acting as supervisor) to apply prioritisation and timely execution of the request based on the point 4 of the TA Instruction on Procedure of Cooperation and Exchange of Information with the Competent Authorities of other Countries.

(e) The AMLO, the CNB, the Financial Inspectorate, the TA when acting on tax matters and as a supervisory body, the CA, the Police and the CFSSA have clear procedure for safeguarding the information received from foreign counterparts (AMLTFL, Art.128 (3-4) and 143; CNB Law, Art. 31(2); Financial Inspectorate Law, Art. 36; General Tax Law, Art. 8; CA Law, Art.24; Police Duties and Powers Law (PDPL), Art.23(3); Point 5 of TA Instruction on Procedure of Cooperation and Exchange of Information with the Competent Authorities of other Countries).

4. **Criterion 40.3** – Where necessary, all the competent authorities are empowered to sign (directly or indirectly) and have a network of bilateral and multilateral agreements, MoUs and protocols to facilitate international co-operation with a range of foreign counterparts (Law on the State Administration System, Art.45; AMLTFL, Art.127(7-8); Credit Institutions Law, Art.212(1) and 208(1); Leasing Act, Art.57(9) and 58(5); Factoring Act, Art.44(9) and 45(5); Capital Market Law, Art.509(9); Insurance Law, Art.397(15); Law on the Police Duties and Powers, Art.10).

5. **Criterion 40.4** – The AMLO, and the Police, TA and CA when co-operating with EU Member States, provide timely feedback upon request on the use of the requested information (AMLCFT Art. 134(2), EG Principles Section 19, JCCMEUL, Art.11(6)). Regarding non-EU Member States, the Police and the CA informed that it is not a standard procedure to send feedback regarding received information and use of the obtained information, but this information can be provided on a case-by-case basis. There are explicit provisions requiring the CNB, the CFSSA, the FI and the TA to provide feedback upon request to counterparts in non-EU Member States under Article 92 of the AMLTF Law, with effect from 1 January 2023.In the case of the CNB and CFSSA, this has also been provided for within the scope of the international agreements and general regulatory framework on co-operation.

6. **Criterion 40.5** –

(a) Croatian competent authorities do not refuse EU Member States' requests involving fiscal matters (AMLTFL, Art.90(3), 92, 127 and 129; JCCMEUL, Art.12). Co-operation with non-EU Member States is conducted on the basis of MoUs, which do not contain unreasonable or unduly restrictive conditions (e.g., Agreement between Croatian and Serbian government on police co-operation from May 2009, Agreement between Croatian government and Council of Ministers of Bosnia and Herzegovina on police co-operation and fight against cross-border criminality, signed in September 2010, Agreement between Croatian and North Macedonian government on police co-operation, signed in May 2012).

(b) Croatian competent authorities do not refuse EU Member States' requests constituting secrecy or confidentiality, except if it can have negative impact on the investigation conducted on the national level (AMLTFL, Art.77, 90(3), 92 and 129). This refers to co-operation with both EU and non-EU Member States.

(c) Croatian competent authorities do not refuse EU Member States' requests, unless the exchange of the requested information would interfere with that inquiry, investigation or proceeding (AMLTFL, Art.90(3), 92 and 129, JCCMEUL, Art.12(2)). As for co-operation with non-EU Member States, some MoUs signed by the CFSSA include the possibility to deny a request if a criminal proceeding based upon the same fact and against the same persons has been initiated in the State of the requested Authority. While this is based on an IOSCO MMOU model and only applies to three countries, it is contradictory with the FATF Recommendations. According to the authorities, in the event of receiving a request from the regulators in those countries, the CFSSA would propose to them that they should enter into an AML MoU that would be in line with the FATF Recommendations. However, this has not occurred to date, so the technical deficiency remains.

(d) Croatian competent authorities do not refuse co-operation with EU Member States due to different nature or status of the competent authority requesting the exchange of information (AMLTFL, Art.90(3), 92 and 127(3); JCCMEUL, Art.1 and 3(3)). Co-operation with non-EU Member States is conducted on the basis of MoUs, which do not contain unreasonable or unduly restrictive conditions.

7. **Criterion 40.6** – The current legislation ensures that the information provided and received by the AMLO, the Police, TA and the CA, the CNB and the CFSSA is used only for the purposes and to the extent indicated in the request. Any additional actions, including the use of the relevant data by the previously unspecified authorities, require an additional confirmation by the disseminating authority (AMLTFL, Art.127(5(2)), 128(3-4); Point 5 of the TA Instruction On Procedure Of Cooperation And Exchange Of Information With The Competent Authorities Of Other Countries). This applies to co-operation with both EU (JCCMEUL, Art.11) and non-EU Member States (AMLTFL, Art.92, Credit Institutions Act, Art.209(2)3, e.g., Agreement between Croatian government and Council of Ministers of Bosnia and Herzegovina on police co-operation and fight against cross-border criminality, signed in September 2010, Art.23). With regard to the FI, its Procedure for Co-operation referred to above contains safeguards to ensure that information exchanged by competent authorities is only used for the purposes intended in the request.

8. **Criterion 40.7** –

9. Croatian competent authorities maintain appropriate confidentiality of international requests, consistent with the existing privacy and data protection requirements, protecting the information obtained the same manner as they protect domestic data (AMLTFL, Art.11, 90(3)d, 92(1), 127(5), 128(4), JCCMEUL, Art.11(1-2), Act on the CNB, Art.53(1)). Under Article 92 of the AMLTF Law, the CNB, the CFSSA, the FI and the TA may only provide information to third countries if the information will be subject to confidentiality requirements equivalent to those at Article 82 (9) of the AMLTF Law. With regard to EU Member States, under Articles 90 and 91.b of the AMLTF Law with effect from 1 January 2023, the CNB, the CFSSA, the FI and the TA may refuse to provide information if the requesting foreign authority cannot secure the confidentiality of this information. The same applies to the AMLO with regard to EU Member States and third countries under Article 129 of the AMLTF Law, also with effect from 1 January 2023 as well as the Police (Law on Police, Art.34 and Regulation on the Secrecy of Official Data of the Ministry of Interior Affairs, Art.16(2);

10. **Criterion 40.8** – The competent authorities are able to conduct inquiries on behalf of foreign counterpart, providing them with all available information as if such inquiries were carried domestically (AMLTFL, Art.90(2)), 113, 116, and 127(1), JCCMEUL, Art.5(2))). This includes the TA in its capacity as AML/CFT supervisor of games of chance under Article 91 b of the AMLTF Law with effect from 1 January 2023.

Exchange of Information between FIUs

11. **Criterion 40.9** – The AMLO has sound legal basis for providing co-operation on ML/TF and associate predicate offence (AMLTFL, Art.127, 129, and 130).

12. **Criterion 40.10** – Upon request and whenever possible, the AMLO should provide feedback to the foreign FIUs on the use of the information provided, as well as on the outcome of the analysis conducted, based on the information provided (AMLTFL, Art.134(2), EG Principles Section 19).

13. **Criterion 40.11** –

(a) AMLO shall exchange with the foreign FIU all information, data and documents needed for detecting and preventing ML/TF, that it collects or maintains (AMLTFL, Art.129 (1)). This can include any information, data or document obtained directly or indirectly.

(b) On the basis of reciprocity, the AMLO can exchange information with foreign FIUs and other and other foreign authorities and international organisations competent for AML/CFT, collecting additional data from REs and other competent authorities (AMLTFL, Art.127(6)).

Exchange of Information between financial supervisors

14. **Criterion 40.12** – Croatia has a legal basis enabling Supervisors to co-operate with foreign counterparts from the EU Member States, regardless of their nature or status (AMLTFL, Art.90). Co-operation with foreign counterparts from non-EU Member States is possible for the purposes underlined in the request if the co-operation agreement has been concluded, and the confidentiality requirements are met (AMLTFL, Art.92).

15. **Criterion 40.13** – Financial supervisors shall, within the scope of their authority, co-operate and exchange information with foreign counterparts from EU Member States (AMLTFL, Art.90(1)). In addition, they are empowered to collect information on behalf of the competent foreign authority requesting the assistance and the exchange of the information collected (AMLTFL Art. 90(2)). Exchange of information with the foreign counterparts from non-EU Member States is based on the signed agreements.

16. **Criterion 40.14** –

17. The AMLTFL provides general powers to CNB, CFSSA and the Financial Inspectorate to co-operate and exchange information with counterparts from EU Member States (AMLTFL, Art.90(1)). While it does not limit or specify the type of information that can be exchanged, the AMLTFL states at Article 82a that co-operation and information exchange should be carried out in accordance with sectorial legislation.

18. Exchange of information between the CNB, CFSSA and the Financial Inspectorate and counterparts' competent authorities from third countries, is subject to signed agreements (AMLTFL, Art.92(1)).

(a) Regulatory information in the Republic of Croatia is publicly available and can be provided without restrictions.

(b) - (c) Several sectorial laws specify the framework of co-operation with foreign counterparts for the CNB and the CFSSA, indicating the ability to exchange "information" or "confidential information" (Credit Institutions Act, Art.208(1), 209(1)) and 212(1) and (2); Payment System Act, Art.150(4-1)); Electronic Money Act, Art.79(1), Art.84(1); Law on pension insurance companies, Art.199(1); Law on open investment funds with public officers, Art.387(1); Law on alternative investment funds, Art.273(1), Law on voluntary pension funds; Art.308a(1); Insurance Law, Art.397(4); Leasing Law, Art.106(3-2); Law on Capital Markets, Art.401(1)). The authorities clarified that "information" for these purposes means the information which is collected during supervision as defined in the sectorial laws, and that "confidential information" has the meaning given in the Data Confidentiality Act. No specific legal framework for co-operation with foreign supervisory authorities is foreseen for the Financial Inspectorate, except from the provision stated in the AMLTFL. As this does not itself specify the type of information that can be exchanged, the extent of the information which the FI can provide to foreign counterparts is unclear.

19. **Criterion 40.15** – The CNB, Financial Inspectorate, CFSSA and TA are able to collect information on behalf of their foreign counterparts from EU Member States (AMLTFL, Art.90(2) and 86(2)). Under Article 91.b of the AMLTF Law with effect from 1 January 2023, the CNB, the CFSSA, the FI and the TA may conduct inquiries on behalf of their non-EU counterparts and exchange relevant information. In the case of the CNB, CFSSA and Financial Inspectorate, this has also been provided for in bilateral and multilateral agreements.

20. However, there is no information provided on the ability of the foreign counterparts to conduct inquires themselves in the Republic of Croatia, in order to facilitate effective group supervision.

21. **Criterion 40.16** –

22. The CNB, Financial Inspectorate, CFSSA and TA shall keep the received information confidential, may use it only for the purpose for which it was given and communicate it only with the express consent of the body providing that information (Credit Institutions Act, Art.209(2)(3) and (3)(3); Electronic Money Act, Art.94(4); Law on Payment services, Art.151(4); Law on pension insurance companies, Art.198c(3); Insurance Law, Art.397(8)(3); Law on alternative investment funds, Art.281(3); Law on open investment funds with public officer, Art.389(3); Factoring Act, Art.100(4); Law on voluntary pension funds, Art.309(4); Capital Market Law, Art.401(3); Leasing Law, Art.108(4); Insurance Law, Art.397(8)(3)).

23. In addition, under Article 92 (2) of the AMLTF Law with effect from 1 January 2023, the CNB, the CFSSA, the FI and the TA may only communicate information provided by another state only with the express consent of the body providing that information. Proceedings of the requesting financial supervisor would be conditional on the type and the source of the legal obligation to disclose or report the information. In cases where requesting financial supervisor is under a legal obligation to disclose or report such information in accordance with for example Criminal Act, the Criminal Act is *lex specialis* meaning that it is more specific and would prevail.

Exchange of Information between LEAs

24. **Criterion 40.17** – LEAs can exchange domestically available information with foreign counterparts for both intelligence and investigation purposes related to all crimes, including through channels of international organisations such as Interpol and Europol, as well as bilateral agreements. This includes identification and tracing of assets (JCCMEUL, EU Regulation 1889/2005).

25. **Criterion 40.18** –

26. The Police, TA and CA can use the powers available domestically to conduct inquiries and obtain information on behalf of their EU counterparts, based on the agreements concluded as part of the Interpol, Europol and Eurojust co-operation (JCCMEUL, Art.2 and 5). As for non-EU counterparts, the co-operation is conducted according to mutually agreed conditions reflected in the MoU (Ex. Agreement between Croatian and Moldovan government on co-operation in fight against organised crime, illegal drugs trafficking, terrorism and other serious crime, 2006).

27. **Criterion 40.19** –

28. Croatia is able to form joint investigative team in accordance with an international agreement or on the basis of an individual case for the criminal offences within the scope of USKOK (USKOK Law, Art.17; PDPL, Art.22 (2002/465/JHA) (OJ L 162, 20.6.2002)).

29. As concerns non-EU Member States, co-operation is conducted according to mutually agreed conditions reflected in the MoU (ex. Agreement between Croatian government and Council of Ministers of Bosnia and Herzegovina on police co-operation and fight against cross-border criminality, 2010)

30. **Criterion 40.20** –

31. The AMLO can use secure communication channels via a foreign FIU for the purposes of asking and receiving data, information and documentation from/to another foreign authority (AMLTFL, Art.137).

32. The JCCMEUL provides for the ability of the Police, TA and CA to exchange information indirectly with non-counterpart authorities of EU member-states.

33. The CA indicated the possibility of diagonal co-operation via LEAs.

Weighting and conclusion

34. Croatia can provide a wide range of international co-operation via informal means (e.g., through the AMLO, LEAs and financial supervisors). However, minor deficiencies remain: (i) small number of MoUs signed by the CFSSA contain unduly restrictions on the exchange of information with foreign counterparts (c.40.5(c)); (ii) lack of clarity about the type of information that can be exchanged by the FI under the AMLTFL (c.40.14); (iii) there are no legal provisions allowing foreign supervisors to conduct inquiries themselves in Croatia (c.40.15); and, (iv) co-operation by the police, TA and CA with non-counterparts' competent authorities is only possible with EU Member States (c.40.20). **R.40 is re-rated largely compliant.**

Annex B: Summary of Technical Compliance – Deficiencies underlying the ratings

Recommendations	Rating	Factor(s) underlying the rating[13]
1. Assessing risks and applying a risk-based approach	PC (MER) PC (FUR1 2023)	• There are some issues with how the assessment of ML/TF risks were conducted (c.1.1): - the Corruption Prevention Sector of the Ministry of Justice and Administration was not involved in the assessment, and the NRAs did not benefit from their input when considering the level of corruption risk; *(as per the 1st FUR, December 2023);* - lack of quantitative data and use of diverse information sources when assessing the risks; - inflexible and inadequate application of certain aspects of the World Bank risk assessment methodology, e.g., when assessing and scoring the residual sectorial and sub-sectorial risks, and grouping DNFBPs with different profiles, which led to the controls being assessed globally when there were distinct variations; - Vulnerabilities in relation to TF are treated identically to ML across each sector, which does not appear to align with the country's context; - Identification and assessment of the TF risks is not sufficient, as the information and analysis on which observations and conclusions are based are not clearly identified; - ML/TF risks in some areas were not appropriately explored. • The 2020 Action plan is non-contentious and does not tackle the fundamental issues raised across the two risk assessments, such as lack of successful ML/TF prosecutions, lack of measures regarding detection and confiscation, the need for further training of the judiciary, law enforcement and investigators, inability to secure an adequate number of personnel in the Financial Inspectorate, addressing barriers to recruitment of financial investigators, etc. (c.1.5)

13. Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

		• The provision of the AMLTFL Art.10 does not exclude from some requirements under AMLTFL but from all (c.1.6(b)) *(as per the 1st FUR, December 2023).* • The 2020 NRA recommends that the cash transaction threshold should be further reduced for authorised exchange offices, which is not included in the 2020 NRA Action Plan (c.1.7(a)) *(as per the 1st FUR, December 2023).* • When deciding to conduct simplified CDD, REs are not required to ensure consistency with the NRA ((AMLFT Law, Art. 43 (1-2)) (c.1.8) *(as per the 1st FUR, December 2023).* • Deficiencies, as identified under R.26 and R.28, apply (see below) (c.1.9, c.1.12) *(as per the 1st FUR, December 2023).* ○ c.26.4(a). Authorities have provided the assessment of the IOSCO Principles 2 and 3 and an assessment against IAIS Principles 4-5 and 7-8. These assessments partially cover the principles indicated in the FATF Standards. ○ c.26.4(a)-(b). When dealing with the FI group supervision on AML/CFT matters, powers of the CNB and CFSSA granted by Art.85 of the AMLTFL are limited to instances where the financial group is a part of a foreign FI. This notwithstanding, the requirement to implement group AML/CFT policies and procedures of Art.62 of the AMLTFL refers to branches and subsidiaries in EU Member States (thus also including Croatia) or third countries, and supervisory authorities shall supervise the implementation of all provisions of the AMLTL and associated regulations (AMLTFL, Art. 81(1)). ○ c.26.6. The requirements in Art.84 of the AMLTFL Law refer to the RE and not to group, as required by the FATF Standards.
2. National co-operation and co-ordination	PC (MER) PC (FUR1 2023)	• It is unclear the extent to which the strategic documents in Croatia aimed at setting policy objectives are driven by the NRA (c.2.1) *(as per the 1st FUR, December 2023).*

		• Besides the Anti-Corruption Strategy and the NRA Action Plans, no periodicity is set for revision of other strategies or Action Plans (c.2.1) *(as per the 1st FUR, December 2023).* • There are doubts on the basis on which the two Action Plans developed on the basis of the 2016 and 2020 NRAs represent a national AML/CFT policy (c.2.1) *(as per the 1st FUR, December 2023.* • Support of the IIWG at the policy-making level is not yet demonstrated enough for an effective fight against ML/TF (c.2.2) *(as per the 1st FUR, December 2023).* • The IIWG does not include all authorities responsible for AML/CFT as provided in AMLTFL (Art.120) (c.2.3).
10. Customer due diligence (CDD)	PC (MER) LC (FUR1 2023)	• It is not made clear what registers and record files REs should examine in relation to other types of legal persons (c.10.9(a)) *(as per the 1st FUR, December 2023).* • Within the context of the application of SDD, the delaying of the verification of customer and BOs is permitted even when this is not essential for uninterrupted conduct of business (AMLTFL, Art.43(3(1)), CNB and MoF Ordinances Art.19(3) and CFFSA Ordinance, Art. 15(3)) (c.10.14(b)) *(as per the 1st FUR, December 2023).*
13. Correspondent banking	PC (MER) C (FUR1 2023)	
15. New technologies	PC (MER) PC (FUR1 2023)	• There is no specific legal obligation for the country to assess ML/TF risks associated with new products or services (c.15.1) *(as per the 1st FUR, December 2023).* • There is no assessment of changing business practices and their ML/TF risk impact (c.15.1) *(as per the 1st FUR, December 2023).* • Risk assessment exercises conducted in relation to the VASP sector could benefit from further elaboration and granularity (c.15.3(a)) *(as per the 1st FUR, December 2023).* • Croatia did not yet develop a formal document to design future steps for mitigating

		respective ML/TF risks (c.15.3(b)) *(as per the 1st FUR, December 2023).* • Definition of VASPs under Article 9(2) point 19 of the AMLTFL does not include the provision of virtual asset transfers services (c.15.3(c), c.15.4(a), c.15.5, c.15.6(a), c.15.7, c.15.9(a)-(b)) *(as per the 1st FUR, December 2023).* • There is no explicit requirement to require the CFSSA, or other authority, to identify natural or legal persons carrying on VASP activities (c.15.5). • Relevant deficiencies under Recommendation 26 are also applicable (c.15.6(a)-(b)) *(as per the 1st FUR, December 2023).* • AML/CFT guidance specifically targeting VASPs, in particular on the subject of detecting and reporting suspicious transactions, has not been issued (c.15.7) *(as per the 1st FUR, December 2023).* • Deficiencies noted within R.35 will impact compliance with this criterion (c.15.8(a)-(b)) *(as per the 1st FUR, December 2023).* • Relevant deficiencies of R.10-21 have an impact and there are no provisions regulating relationships analogous to corresponding banking that would be applicable to VASPs (R.13) or that regulate agents of VASPs (R.14) (c.15.9) *(as per the 1st FUR, December 2023).* • There are currently no requirements to ensure that virtual asset transfers are accompanied by the accurate originator and beneficiary information as required by the FATF Standards (c.15.9(b)) *(as per the 1st FUR, December 2023).* • There are significant deficiencies under R.6 and R.7 related to the application of restrictive measures (c.15.10) *(as per the 1st FUR, December 2023).* • Deficiencies identified under Rec.37 to 40 apply (c.15.11) *(as per the 1st FUR, December 2023).*

17. Reliance on third parties	PC (MER) LC (FUR1 2023)	• Compliance with the AMLTFL does not amount to full compliance with the requirements set out in R.10 to R.12 and R.18 (c.17.3(a)) *(as per the 1st FUR, December 2023).*
22. DNFBPs: Customer due diligence	PC (MER) LC (FUR1 2023)	• The deficiencies noted in R.10, R.11, 12, R.15 and R.17 (mostly minor) also apply to DNFBPs and hence impact R.22 (c.22.1-c.22.5) *(as per the 1st FUR, December 2023).*
23. DNFBPs: Other measures	PC (MER) LC (FUR1 2023)	• The analysis of R.20 and the respective deficiencies identified also apply in relation to DNFBPs (see below) (c.23.1) *(as per the 1st FUR, December 2023).* ○ c.20.1. Art.56(3) of the AMLTFL allows the reporting to take place after the transaction takes place for other justifiable reasons that are not defined. • The analysis for Rec.18 and the technical deficiencies outlined thereunder are applicable to DNFBPs (see below) (c.23.2) *(as per the 1st FUR, December 2023).* ○ c.18.2. The requirements on group-wide measures do not extend to a model where the group is set up and operates within Croatia, with no foreign link. ○ c.18.2. There are no requirements for financial group to implement group-wide programs or group-wide controls against ML/TF. ○ c.18.2(a). The requirement to implement policies and procedures on information exchange (AMLTFL, Art.62(1)) does not specify whether these requirements would target specifically information exchange for the CDD and ML/TF risk management purposes. ○ c.18.2(b). Except for Arts. 74-75 of AMLTFL, there is no regulation on providing or receiving information of customers, accounts and transactions by branches and subsidiaries for AML/CFT or risk management purposes to/from group-level compliance, audit and/or AML/CFT functions.

		○ c.18.2(c). The provisions in respect to safeguards on the confidentiality and use of the information exchange lack the component of preventing tipping off. ○ c.18.3. There is no requirement in place in relation to measures less strict than those prescribed by national legislation for branches and subsidiaries when situated in the EU Member States. • The analysis for R.19 and the deficiencies outlined thereunder are thus applicable to DNFBPs (see below) (c.23.3) *(as per the 1st FUR, December 2023).* ○ c.19.(1-2). There is no clear requirement to apply EDD measures proportionate to risk and regard countries called for by the FATF.
24. Transparency and beneficial ownership of legal persons	PC (MER) PC (FUR1 2023)	• There is no comprehensive assessment of the ML/TF risks and vulnerabilities associated with all types of legal persons that may be set up in Croatia (c.24.2) *(as per the 1st FUR, December 2023).* • There are no obligations for legal persons to keep details of members, retain lists of shareholders or members in Croatia, or notify the relevant register where the information is held (c.24.4). • There is a lack of explicit obligations to update the required basic information in terms of types, amounts and holders of shares and the length of time such registers should be held. There are no mechanisms to test/verify the basic or beneficial ownership information in the Court register, Register of Associations/foundations or beneficial ownership register or any changes to that information (c.24.5). • There is no requirement under Croatian Law for the members of the management board or other responsible persons (in the case of other types of legal persons besides Companies) to be resident in Croatia and be accountable to competent authorities for it (c.24.8(a)) *(as per the 1st FUR, December 2023).* • There is no specific legal provision requiring that a DNFBP be authorised by the

		company, and accountable to authorities, for providing all basic and BO information, as well as providing further assistance (c.24.8(b)) *(as per the 1st FUR, December 2023).* • General Partnerships, Limited Partnerships and EIA are not required to keep information on members themselves (c.24.9) *(as per the 1st FUR, December 2023).* • There is no explicit obligation on JSCs and LLCs to keep share registers for any period of time (c.24.9) *(as per the 1st FUR, December 2023).* • No timeframe is given for the period during which the information should be retained by the Croatian Chamber of Commerce for safe-keeping after the liquidator has passed it upon the dissolution of a JSC or LLC (c.24.9) *(as per the 1st FUR, December 2023).* • There is no timeframe specified for retention of the list of members by associations (c.24.9) *(as per the 1st FUR, December 2023).* • Timeframes are not specified for retention of lists of members for Associations, company accounts and documents (including shareholder information) for LLCs and JCS (c.24.9). • No explicit prohibition of nominee shareholders or nominee directors in Croatia (c.24.12). • The Associations Law and the Foundations Law do not apportion liability or prescribe sanctions for violations although supervisory action can be taken, and fines may be imposed (Art. 139 General Administrative Procedure Act) (c.24.13). • There are deficiencies identified in R. 37-40 that are relevant to international co-operation on rapid provision of basic information (c.24.14). • The AMLO and Police don't monitor and keep ratings on the quality and usefulness of basic and beneficial ownership information received from foreign FIUs (c.24.15).
32. Cash couriers	PC (MER)	• The Croatian regulations apply only to natural persons and, therefore, do not cover the

	LC (FUR1 2023)	physical transportation of cash through container cargo or the shipment of cash through mail within the EU (c.32.1) *(as per the 1st FUR, December 2023).* • Criminal sanctions for ML offences are not proportionate and dissuasive (c.32.11) *(as per the 1st FUR, December 2023).* • Vulnerabilities of the confiscation system, as described under R.4, would equally apply here (c.32.11) *(as per the 1st FUR, December 2023).*
40. Other forms of international co-operation	PC (MER) LC (FUR1 2023)	• Some MoUs signed by the CFSSA contain unduly restrictions on the exchange of information with foreign counterparts. (c.40.2). • Legal provisions do not specify the type of information that supervisors can exchange (c.40.14). • There are no legal provisions allowing foreign supervisors to conduct inquiries themselves in Croatia (c.40.15). • No specific legal framework for co-operation is provided for the FI, except the one prescribed under the AMLTFL (c.40.14). • There is no information available for co-operation with non-counterparts' competent authorities of non-EU Member States (c.40.20).

GLOSSARY OF ACRONYMS

AMLTFL	Anti-Money Laundering and Terrorist Financing Law
AMLO	Anti-Money Laundering Office
AML/CFT	Anti-money laundering and combating the financing of terrorism
BO	Beneficial ownership
BOs	Beneficial owners
BNI	Bearer Negotiable Instruments
C	Compliant
CA	Customs Administration
CC	Criminal Code
CDCC	Central Depository & Clearing Company Inc.
CDD	Customer Due Diligence
CFSSA	Croatian Financial Services Supervisory Agency
CSL	Customs service law
CNB	Croatian National Bank
CPC	Criminal Procedure Code
CPF	Counter proliferation financing
DNFBP	Designated Non-Financial Businesses and Professions
DPMS	Dealer in Precious Metal Stones
EDD	Enhanced Due Diligence
EIA	Economic Interest Associations
EU	European Union
EUR	Euro
Eurojust	European Union Agency for Criminal Justice Cooperation
Europol	European Union Agency for Law Enforcement Cooperation
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FEL	Foreign Exchange Law
FUR	Follow-up report
IIWG	Inter-Interinstitutional Working Group for the Prevention of ML/TF
INTERPOL	International Criminal Police Organization
IRM Law	International Restrictive Measures Law
JCCMEUL	Judicial Co-operation in Criminal Matters with the EU Member States Law
JSC	Joint Stock Companies
LC	Largely compliant
LEAs	Law enforcement agencies
LLC	Limited liability companies
MER	Mutual evaluation report
ML	Money laundering
MoF	Ministry of Finance
MoI	Ministry of Interior
MoU	Memorandum of Understanding
NC	Non-compliant
NRA	National Risk Assessment

PC	Partially compliant
PDPL	Police Duties and Powers Law
PEP	Politically Exposed Persons
PNUSKOK	Police National Office for Suppression of Corruption and Organised Crime
RE	Reporting Entity
SAO	State Attorney's Office
SIA	Security and Intelligence Agency
SR	Special Recommendation
SDD	Simplified due diligence
Standing Group	Standing Group for the Introduction and Monitoring of the Implementation of International Restrictive Measures
TA	Tax Administration
TC	Technical compliance
TCSP	Trust and Company Services Providers
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
USKOK Law	Office for the Suppression of Corruption and Organised Crime Law
VASPs	Virtual assets service providers
WMD	Weapons of Mass Destruction

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December 2023

Follow-up report

Anti-money laundering and counter-terrorist financing measures -

Croatia

1st Enhanced Follow-up Report &

Technical Compliance Re-Rating

This report analyses Croatia's progress in addressing the technical compliance deficiencies identified in the December 2021 assessment of their measures to combat money laundering and terrorist financing.

The report also looks at whether Croatia has implemented new measures to meet the requirements of FATF Recommendations that changed since the 2021 assessment.