



UNITED NATIONS

E/NL.1998/1
22 April 1998

ENGLISH ONLY*
ORIGINAL: CROATIAN

LAWS AND REGULATIONS

PROMULGATED TO GIVE EFFECT TO THE PROVISIONS OF
THE INTERNATIONAL TREATIES ON NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES

*In accordance with the relevant articles of the international treaties on narcotic drugs and psychotropic substances,
the Secretary-General has the honour to communicate the following legislative text.*

CROATIA

Communicated by the Government of Croatia

NOTE BY THE SECRETARIAT

- (a) Some editing of texts may be done by the Secretariat in the interest of clarity. In this connection, words in square brackets [] have been added or changed by the Secretariat.
- (b) Only passages directly relevant to the control of narcotic drugs or psychotropic substances have been reproduced in this document. Non-relevant parts of laws and regulations have been deleted by the Secretariat; such deletions are indicated by [...].

LAW ON PREVENTION OF MONEY LAUNDERING [OF 26 JUNE 1997]

*Note by the Secretariat: This document is a direct reproduction of the text communicated to the Secretariat by the Government of Croatia.

LAW ON PREVENTION OF MONEY LAUNDERING

I. GENERAL PROVISIONS

The Prevention of Money Laundering

Article 1

(1) This Law prescribes measures and actions in banking, financial and other activities undertaken for the purpose of detecting and preventing money laundering.

(2) Money laundering, in the context of this Law, is defined as all actions or lack thereof for the purpose of concealing the sources of illegally obtained money, as well as the use of such illegally obtained money for conducting legal business or for the acquisition of property in a legal manner.

(3) Illegally acquired money, in the context of this Law, is any money (domestic currency, foreign currency and other means of payment) obtained in an illegal manner, as well as other property (rights and material property) obtained with illegally acquired funds.

(4) The measures and actions for the detection and prevention of money laundering are undertaken during the investment, takeover, exchange, or distribution of funds, or during the closing of legal agreements that allow for acquisition of property; as well as all other forms of ownership of funds and other property that can serve the purpose of money laundering (hereinafter: transactions).

Entities Obligated to Implement the Measures

Article 2

(1) The legal persons and authorized persons within those entities, as well as physical persons required to implement measures and actions for purposes of detection and prevention of money laundering (hereinafter: obligated entities) in the context of this Law shall include:

- banks and savings institutions
- investment funds and associations, as well as other financial institutions,
- organizations authorized for (state) financial transactions (Agency for Financial Transactions, the postal service, etc.),
- Croatian Privatization Fund,
- insurance companies,

- brokerage institutions and other legal entities authorized for financial transactions with bonds and other notes of value,
- foreign exchange offices,
- gaming establishments, automated casino clubs, organizers of lottery games, special event raffles, lotteries and other games of chance.

(2) Obligated entities in the context of this Law are, in addition, all other legal persons, traders and individuals, business persons and physical persons conducting business that involves the receipt of monetary deposits, purchase and sale of loans and debts, financial management for third parties, issuance of debit and credit cards as well as with transactions with the said cards, leasing, organization of travel tours, sale of real estate, art objects, antiques and other items of great value, as well as businesses involving the making of items with precious metals and gems and the transactions thereof.

The Office for the Prevention of Money Laundering

Article 3

(1) The task of the Office for the Prevention of Money Laundering (hereinafter: the Office) is to gather, analyze, classify and maintain data received from all the obligated entities, to furnish information to all authorized state bodies, and, together with them, to undertake measures for the prevention of money laundering.

(2) The Office is established within the Ministry of Finance -- Financial Police.

(3) The internal structure of the Office is determined by the Government of the Republic of Croatia -- by decree.

(4) The authorized employees of the Office, in addition to tasks and authorizations accorded to them by this Law, possess powers prescribed by a special Law for the authorized employees of the Financial Police.

(5) The Office, the Financial Police, and the Ministry of Internal Affairs cooperate in the implementation of the measures for the detection and prevention of money laundering.

(6) The Ministry of Finance submits to the Government of the Republic of Croatia a report on the work of the Office no less than once a year.

II. MEASURES UNDERTAKEN BY THE OBLIGATED ENTITIES FOR THE DETECTION OF MONEY LAUNDERING

Identification of Parties

Article 4

(1) The obligated entities shall determine the identity of parties involved in the initiation of all kinds of bank accounts and other forms of establishing more permanent business accounts between parties.

(2) The obligated entities shall determine the identity of the parties during each transaction conducted with cash, foreign currency, notes of value, precious metals and gems, if the said transaction amounts to 105,000 Kuna or more.

(3) The identity of the parties shall also be established during combined transactions as per Paragraph 2 of the Article, when those combined transactions amount to 105,000 kuna or more.

(4) Insurance companies shall identify the parties in all contracts involving life insurance if the annual premium on a life insurance policy exceeds 40,000 kuna.

(5) In addition to the determination of the identity as per the transaction from Paragraphs 1, 2, and 3 of this Article, the parties shall be identified during all other cash or non-cash transactions suspected of involving money laundering.

(6) The drawing of money from debit/checking accounts and from savings accounts of the citizen shall not be considered a transaction as per Paragraph 1 of the Article.

The Manner of Identification of the Parties

Article 5.

(1) The obligated entity shall determine the identity of the physical person conducting a transaction by analyzing the identity documents (personal I.D. card, personal travel permit or other appropriate public I.D. card), a process that determines the first and last name, the address of residence or home, the registration number of the said citizen, as well as all other information in a given I.D. document related to the identity of the party (title and number of the document and the issuing entity).

(2) If the obligated entity conducts transactions for a legal person, it shall determine the identity of the person who is requesting the transaction on behalf of the legal person in accordance with Paragraph 1 of this Article, in addition to the name (title),

address and registry number of the legal person on whose behalf the said transaction is being requested.

(3) If the obligated entity has to identify a foreign citizen, it shall obtain the information from the traveling permit of that citizen or other public I.D. documents.

(4) During a transaction as per Paragraphs 2, 3, 4, and 5 of Article 4 of this Law, the obligated entity shall request from the party in question a declaration stating whether the said transaction is requested in one's own name or on behalf of another party.

(5) The obligated entity shall request from the party in question a power of authorization (power of attorney) if the said party is requesting the transaction on behalf of a third party.

(6) For transactions as per Paragraphs 2, 3, and 4 of Article 4 of this Law, the identity of the party shall be determined in accordance with Paragraph 3, Article 6 of this Law.

Gathering of Information on Transactions

Article 6.

(1) The obligated entity shall gather information on all transactions as per Article 4, Paragraphs 2, 3, 4, and 5 of this Law.

(2) The information on transactions that shall be gathered in accordance with Paragraph 1 of this Article shall include:

- name, address and registration number of the legal person, as well as the name, address and registration number of the citizen -- the physical person involved in the said transaction,
- the aim of the transaction,
- date and time of the transaction,
- amount of the transaction,
- manner of the transaction,
- and the currency in which the said transaction is conducted.

(3) The party in question shall complete a declaration as per transactions listed in Article 4, Paragraphs 2, 3, and 4 of this Law, and shall furnish to the obligated entity all information that in accordance with this Law shall be reported to the Office.

Refusal of Transactions

Article 7

The obligated entity shall refuse all transactions as per Article 4, Paragraphs 2, 3, and 4 of this Law, if the said party fails to obtain the information requested as per Articles 5 and 6 of this Law, or if the party acting with a power of attorney does not furnish a valid document of such authorization.

Notification to the Office

Article 8

(1) The obligated entities shall notify the Office about all transactions as per Article 4, Paragraphs 2, 3, 4, and 5 of this Law in a manner and within the deadline prescribed by this Law and according to regulations established in accordance with this Law, and shall furnish all the necessary information as per Articles 5 and 6 of this Law.

(2) The obligated entities shall notify the Office also about those transactions they refuse to conduct in accordance with Article 7 of this Law. In such cases, the information shall be accompanied by all data gathered in conjunction with the said transactions.

(3) The obligated entities shall, in accordance with Paragraph 1 of this Article, notify the Office via telephone, fax or other appropriate means of communication, about the intention and the deadline within which they are to execute the said transaction. If this notification is not furnished in a written form, such written form shall be submitted no later than three days after the initial notification. The obligated entity and the Office shall create a record on any notification that was not furnished in a written form.

(4) If, owing to the nature of the transaction, it is not possible to notify the Office about it prior to its execution, the obligated entities shall do so no later than 24 hours after the said transaction.

(5) The manner and the deadlines for notification, as well as the recordkeeping on all data gathered as per Articles 4, 5, and 6 of this Law shall be prescribed by the Minister of Finance.

Transfer of Cash and Checks Over the State Borders

Article 9

(1) The Customs Service of the Republic of Croatia is required to send to the Office a notification regarding the legal transfer or any attempt at illegal transfer across state borders of cash or checks in domestic or foreign currency amounting to 40,000 kuna or more, no later than three days after the information received about such transfer or an attempt of illegal transfer.

(2) The notification as per Paragraph of this Article shall contain data about the person who is transferring or is attempting to illegally transfer cash or checks across the state borders for his own behalf or for a third party, to include the place and time of the border crossing and all information about the purpose of the cash or checks.

III. OPERATIONS OF THE OFFICE AND ACTIONS RESULTING FROM NOTIFICATIONS ABOUT TRANSACTIONS

Receipt of the Notification

Article 10

(1) The Office shall confirm to the obligated entity the receipt of the notification as per Article 8 of this Law immediately, within 24 hours.

(2) When certain information from the notification has to be verified, the Office can request from the obligated entity via telephone, fax, or other means of communication, to postpone the execution of the said transaction for no more than two hours.

Furnishing Information in Case of a Suspicion of Money Laundering

Article 11.

(1) If there is a suspicion regarding money laundering, the Office may place a request with the obligated entity for additional information that the said entity possesses on the transaction and on persons not encompassed by Article 8, Paragraph 1 of this Law, and shall determine the deadline on the submission of any such information.

(2) The obligated entity has the right to submit an objection regarding the request as per Paragraph 1 of this Article to the Minister of Finance or to a person authorized by the said minister, within three days.

(3) The Minister of Finance or the person authorized by the said minister shall decide on the objection per Paragraph 2 of this Article within three days.

(4) The bodies of state government, local self-government and government, as well as other legal persons that are empowered with state authority are required to furnish the Office with all information necessary for the detection of money laundering.

Notification of Proper State Authorities

Article 12

If the Office, in the process of its authorized activities, determines that there are grounds for suspicion that an infraction or criminal activity has been committed, the Office is required to notify the proper state authorities about such an incident.

Submission of Information on Legal Proceedings

Article 13

The Courts are required to submit to the Office all information about the initiation of an investigation, the indictment and the legally binding sentence for the criminal activity of the concealment of illegally acquired money, as well as on other criminal activities connected to money laundering.

International Cooperation

Article 14

The Office may submit the information received on the basis of this Law to appropriate authorities and organizations of certain states, as well as to international organizations responsible for preventing money laundering, if so requested by the said organizations and with a pledge or reciprocity.

IV. SAFEKEEPING AND PROTECTION OF INFORMATION

Confidentiality of the Gathered Information

Article 15

(1) All information gathered on the basis of this Law shall be considered confidential and of a secret nature, and may be used only for the purposes prescribed by this Law.

(2) The furnishing of information in accordance with this Law to the Office and other proper state authorities shall not be considered a violation of banking or other secrets.

(3) The Office and its employees may use the information gathered on the basis of this Law only for the detection and prevention of money laundering or a criminal act related to money laundering.

The Safekeeping of Information by the Obligated Entities

Article 16

(1) The obligated entities shall keep the information gathered in accordance with this Law and all the documentation involved in a given transaction for at least five years after the said transaction takes place, that is, five years after the last in a series of interrelated transactions, unless specified otherwise by law.

(2) All the data about the party with which another party has entered into a more lasting business relationship as per Article 4, Paragraph 1 of this Law, shall be kept for at least five years after the termination of the relationship, unless specified otherwise by law.

Confidentiality of Procedures and Information

Article 17

(1) The Office and the obligated entity shall not notify the party in question about the information related to its status or the procedures initiated on the basis of this Law.

(2) The information from Paragraph 1 of this Article shall be released by the Office only upon a court order.

(3) The Office may submit the information at its disposal to the party that this information pertains to, at the request of the said party, ten years after the gathering of this information.

(4) The Office shall keep the information gathered for ten years.

(5) After the deadline from Paragraph 4 of this Article, the information shall be stored and may be used only at the request of a court or the relevant party.

(6) The information shall be destroyed one year after the day when it is stored as per Paragraph 5 of this Article.

V. PROVISIONS FOR PENALTIES

Contempt of the Regulations about the Gathering of Information and its Submission to the Office

Article 18

(1) A financial penalty ranging from 10,000 to 100,000 kuna shall be imposed on the obligated entity as per Article 2 of this Law if the said entity:

1. fails to determine the identity of a party in accordance with Articles 4 and 5 of this Law,
2. fails to gather information on a transaction in accordance with Article 6 of this Law,
3. fails to secure a power of attorney in accordance with Article 7 of this Law,
4. fails to notify the Office about a transaction within the deadlines and in the manner prescribed by this Law and in accordance with the regulations thereof, and fails to submit the information as per Article 8 of this Law or fails to submit the information as per Article 11, Paragraph 1 of this Law.

(2) A financial penalty ranging from 5,000 to 30,000 kuna shall be imposed on the authorized party within the obligated entity that commits the offense as per Paragraph 1 of this Article.

(3) If the offense as per Paragraph 1 of this Article is committed in conjunction with a transaction valued at 1,000,000 kuna or more, the obligated entity shall receive a

financial penalty from 50,000 to 300,000 kuna, while the authorized person within the obligated entity that commits the offense with a financial penalty of from 10,000 to 50,000 kuna.

**Infringement of the Regulations About the Manner of Recordkeeping
and the Use of the Gathered Information**

Article 20

(1) The obligated entity who does not keep records in the prescribed manner (article 8, Paragraph 5), and fails to keep records and documentation in accordance with Article 16 of this Law, shall receive a financial penalty for this infringement ranging from 10,000 to 100,000 kuna.

(2) Financial penalty ranging from 5,000 to 3,000 kuna shall be imposed on the authorized person within the obligated entity who commits the infringement as per Paragraph 1 of this Article.

Authorization for Conducting Legal Proceedings

Article 21

The proceedings for infringement as presented by this Law are conducted by the Financial Police in accordance with the provisions of the Law on the Financial Police.

VI. TRANSITIONAL AND CONCLUDING PROVISIONS

Supervision Over the Implementation of this Law

Article 22

The supervisory power over the responsible authorities that have to comply with this Law rests with the Ministry of Finance and the National Bank of Croatia.

Implementation Provisions

Article 23

The Minister of Finance shall issue the regulations from Article 8, Paragraph 5 of this Law within 15 days after this Law goes into effect.

Effectuation of this Law

Article 24

This Law becomes effective on November 1, 1997.

Class: 451-04/96-01/01
Zagreb, June 18, 1997

**THE HOUSE OF REPRESENTATIVES
WITHIN THE PARLIAMENT OF CROATIA**

**PRESIDENT OF THE HOUSE
OF REPRESENTATIVES**
Vlatko Pavletic, v.r. Member of the Academy