

Press Release

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MONEYVAL publishes its 3rd Round Evaluation Report on Croatia

Strasbourg, 14.04.2008 - The Council of Europe's MONEYVAL Committee (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) has published the 3rd Round Evaluation report on Croatia. This report analyses the implementation of international and European standards to combat money laundering and terrorist financing, assesses levels of compliance with the FATF 40+9 Recommendations and includes a recommended action plan to improve the Croatian anti-money laundering (AML) and combating the financing of terrorism (CFT) system.

The main findings of the evaluation report are:

- Since the second evaluation in June 2002, Croatia has taken some steps to improve its AML/CFT system. In 2004, it amended the Law on Prevention of Money Laundering which was intended to harmonise Croatian legislation with European Union legislation.
- One difficulty with the Croatian AML/CFT legal framework is that some parts are quite complicated in their drafting and require numerous cross-references to be fully comprehensive. This should be simplified both for governmental authorities and also for the private sector.
- The money laundering offence is – apart from some inconsistencies – basically in line with international standards. Criminal liability has been extended to legal persons. To a certain extent, the anti-money laundering criminalisation even exceeds international standards as it provides for negligent money laundering. However, there is a significant backlog generally in criminal cases and also in money laundering cases pending before courts. At the time of the onsite visit (September 2006), 15 indictments were pending before courts but no final decisions in any money laundering case since 2003 could be achieved.
- Though the Croatian authorities seem to be aware of terrorist financing issues, Croatia will have to do more to tackle terrorist financing in a satisfactory manner. Financing of terrorism is only to a very limited extent provided for as an autonomous offence and, moreover, the preventive law currently addresses the prevention of terrorist financing in an insufficient way.
- The Croatian Financial Intelligence Unit (FIU) is an administrative FIU and has no investigative powers; its main task is to gather information on transactions with a view to submitting reports to the authorised bodies. It fulfils these tasks broadly in an effective way. However, as banks remain by far the largest reporting entities, further outreach to other parts of the financial sector and the designated non-financial businesses and professions (DNFBP) is necessary to explain the concept of suspicion in more detail. Though Croatia undertook some steps to reinforce the FIU with recruitment of additional staff, the actual number of staff seems insufficient.
- Croatian AML/CFT legislation is not based on a risk assessment. Financial institutions are not obliged to apply enhanced due diligence for higher risk categories of customers (e.g. politically exposed persons), transactions and products.

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- A number of key elements of the customer due diligence (CDD) process as set out in the FATF Recommendations are not or insufficiently embedded in law or regulation: e.g. no law contains a definition of “beneficial owner”.

The report was adopted at MONEYVAL’s 26th Plenary meeting (Strasbourg, 31 March – 4 April 2008). MONEYVAL will follow-up implementation of the recommendations through its progress report procedure, under which all MONEYVAL countries are required to update the committee on action taken on the mutual evaluation report one year after its adoption.

This report is available at www.coe.int/moneyval