

# MONEYVAL: Fifth Round Evaluation Report on Croatia



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**News**

On 3 February 2022, Moneyval published its [fifth round evaluation report on Croatia](#). The understanding of ML risks is uneven between Croatian authorities, ranging from full understanding (Croatian National Bank) to inadequate understanding (tax administration). The understanding of TF risks is poor across all authorities. This disparity is influenced by several weaknesses in the identification and assessment of risks, such as the fact that policy objectives in the area of TF were developed in strategy documents that did not provide information on ML and TF risks. At the operational level, the competent authorities have exhibited good cooperation and coordination on ML/TF issues, but support at policy level is not sufficient in terms of strategic coordination.

Although the Croatian legislation provides the law enforcement authorities (LEAs) with broad powers to identify and investigate ML, investigations mainly focus on the predicate offence, as judges and, to some extent, prosecutors have a limited understanding of ML offences. Competent authorities have access to a wide variety of sources of financial intelligence information, but LEAs use it mainly to obtain evidence and to trace the proceeds of crime related to associated predicate offences. The information is rarely used in the context of ML investigations and never used for TF investigations.

Overall, progress in ML convictions is not in line with the country's risk profile: The ratio between disseminated cases and launched investigations remains low; criminal sanctions applied to ML offences have been neither effective nor dissuasive enough so far.

The Croatian authorities have the legal powers at their disposal to detect, seize, and confiscate instrumentalities, proceeds of crime, and equivalent property. Although there is no high-level policy document governing this area, the measures taken show that confiscation is considered a policy objective to some extent.

While Croatia has confiscated significant proceeds in conjunction with domestic predicate offences, confiscations related to ML have not yielded tangible results. The confiscation results are also not always in line with the country's risk profiles, as described in the 2016 and 2020 national risk assessments.

The Croatian authorities are not sufficiently aware of the TF phenomenon and how different legal and illegal activities can be used for these purposes. Despite some inquiries, no formal criminal or parallel financial investigations have been carried out so far, and thus no prosecutions and convictions for TF offences have been carried out.

Regarding non-profit organisations (NPOs), two national risk assessments were carried out in 2016 and 2020, without identifying the subset of NPOs that fall under the FATF definition and are likely to be exposed

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to the risk of TF abuse. This has affected the implementation of targeted measures against non-profit organisations.

Information on the creation and types of legal entities and arrangements is publicly available. The Croatian authorities seem to have some understanding of the vulnerability of legal persons and arrangements in the context of ML, but not in that of TF. They focus primarily on criminal schemes and conduct and are reluctant to identify certain types of legal entities as the most vulnerable instruments for ML, despite the fact that most abuse involves limited liability companies.

Measures to mitigate the misuse of legal persons and arrangements do exist (such as different registers, the involvement of a notary in the registration procedure, etc.), but they have weaknesses; sanctions are not systematically applied.

As regards cooperation, Croatia provides constructive MLA and extradition assistance in cases of ML/TF and predicate offences (except for fiscal offences when dealing with non-EU Member States). There is, however, no mechanism for prioritising incoming requests in place, and Croatia is seeking foreign cooperation only to a limited extent, which is not in line with its risk profile. Informal cooperation is one strength of the system, but the country lacks a systematic approach to identifying and addressing the underlying systemic problems related to the refusal of extradition requests from foreign partners.

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