

FOREIGN EXCHANGE ACT



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FOREIGN EXCHANGE ACT

CHAPTER I

Basic Provisions

Subject Matter of the Act

Article 1

- (1) This Act governs:
1. transactions between residents and non-residents in foreign means of payment and in kuna;
 2. transactions between residents in foreign means of payment;
 3. unilateral transfers of assets from and into the Republic of Croatia that cannot be considered transaction executions between residents and non-residents.
- (2) Transactions referred to in paragraph 1 of this Article shall imply current and capital transactions and their execution by means of payments, collection or transfers.

Residents and Non-Residents

Article 2

- (1) Under the terms of this Act, the term residents shall mean:
1. legal persons with a head office in the Republic of Croatia, except their foreign branches;
 2. branches of foreign companies and sole traders enrolled in a register kept by a competent government authority or administration in the Republic of Croatia;
 3. sole traders, craftsmen, and other natural persons with a head office or a place of residence in the Republic of Croatia who are self-employed and perform the economic activity of their registration (hereinafter: individual undertakings);
 4. natural persons with a place of residence in the Republic of Croatia;
 5. natural persons staying in the Republic of Croatia on the basis of a valid residence permit for a minimum period of 183 days;
 6. diplomatic, consular and other representative offices of the Republic of Croatia abroad financed by the budget and Croatians citizens employed in those representative offices, including their family members.
- (2) All other persons not stated in paragraph 1 of this Article shall be considered non-residents.

Banks and Authorized Companies

Article 3

- (1) Under the terms of this Act, the term bank shall imply a financial institution licensed by the Croatian National Bank and authorized to perform transactions referred to in this Act and prescribed by the Banking Act, a non-resident bank authorized, pursuant to the Banking Act, to provide banking services directly in the territory of the Republic of Croatia and the Croatian Bank for Reconstruction and Development.
- (2) Authorized company shall imply a company licensed by the Croatian Securities Exchange Commission, which conducts securities transactions pursuant to provisions of the Securities Market Act.

Foreign Means of Payment

Article 4

- (1) Foreign means of payment, under the terms of this Act, shall comprise foreign exchange, foreign cash, checks, and other monetary instruments denominated and payable in foreign currency.
- (2) Foreign exchange, under the terms of this Act, shall mean monetary claims from abroad.
- (3) Foreign cash (banknotes and coins) shall mean monetary claims on the central bank or government of the country of issue.
- (4) Checks and other monetary instruments denominated and payable in foreign currency shall mean monetary claims on their issuers.

Securities and Derivative Financial Instruments

Article 5

- (1) Securities shall mean securities defined in accordance with the Securities Market Act.
- (2) Securities traded in the capital markets, under the terms of this Act, shall comprise shares, bonds and other debt securities issued in a series with a maturity of over one year.
- (3) Securities traded on the money market, under the terms of this Act, shall comprise short-date securities issued in a series with a maturity of under one year, such as Treasury bills, Croatian National Bank bills, commercial papers, certificates of deposit, and banker's acceptances and long-dated debt securities with maximum remaining maturity of one year.
- (4) Derivative financial instruments, under the terms of this Act, shall comprise securities or agreements whose value changes in accordance with the changes in the value of financial instruments and any other legal arrangements from which they are derived.

Domestic and Foreign Securities

Article 6

- (1) Domestic securities, under the terms of this Act, shall be securities issued by a resident issuer and depository bills issued abroad on the basis of the underlying domestic security.
- (2) Securities not referred to in paragraph 1 of this Article shall imply foreign securities.

Capital Transactions

Article 7

- (1) Under the terms of this Act, capital transactions shall mean transactions concluded between residents and non-residents, as well as unilateral transfers of assets for the purpose of transferring capital, other than current payments and transfers referred to in Article 8 of this Act.
- (2) Capital transactions referred to in paragraph 1 of this Article shall comprise:
 1. direct investments;
 2. investments in real estate;
 3. securities transactions in the capital markets;
 4. securities transactions in the money markets;
 5. transactions with stakes in investment funds;
 6. credit transactions;
 7. deposit transactions;
 8. payments related to insurance agreements;
 9. unilateral transfers of assets:
 - a) personal transfers of assets;
 - b) physical transfers of assets.
- (3) Capital transactions shall also comprise transactions involving the alienation of rights acquired through investments, or securities referred to in paragraph 2 of this Article, as well as the repatriation of assets or transfer of the balance of assets in liquidation or of the bankruptcy estate.

Current Transactions and Current Payments

Article 8

- (1) Current transactions are transactions concluded between residents and non-residents for a purpose other than a transfer of capital.
- (2) Payments and transfers arising from current transactions shall comprise:
 1. all payments due in connection with foreign goods and services trade and other current business, including services and short-term banking and credit facilities;
 2. payments due as interest on loans and as net income from other investments;
 3. payments of moderate amounts for amortization of loans, for depreciation of direct investments and distribution of profits based on ownership stakes;

4. transfers in connection with remittances from workers abroad, pensions, disability allowances, and other social benefits, taxes and dues, interstate cooperation, settlement of insurance claims, lottery gains, compensations for concessions, membership fees and fines (penalties) and moderate remittances for family living expenses.

Direct Investments

Article 9

- (1) Direct investments, under the terms of this Act, shall comprise all investments by residents abroad and all investments in the Republic of Croatia by non-residents, made with a purpose of establishing permanent economic relationships and gaining considerable control over the managing of a legal person.
- (2) The following situations shall be identified as those whose purpose is to establish permanent economic relationships and to gain considerable control over the managing of a legal person:
 1. the establishment of, or an increase in the initial capital of, a company fully owned by the investor, the establishment of a branch office or acquisition of an already existing company into full ownership of an investor or investment for the purpose of performing the activities of an individual undertaking;
 2. investment into a new or an existing company, provided the investor acquires a minimum 10% stake in the initial capital of a company, or a minimum 10% voting rights, following fulfillment of conditions referred to in paragraph 1 of this Article;
 3. loans with a minimum maturity of five years, granted for the purpose of establishing permanent economic relationships, provided such loans can be classified as subordinate or hybrid claims.
- (3) Following the establishment of a direct ownership relationship between residents and non-residents in terms of paragraphs 1 and 2 of this Article, direct investment transactions shall also comprise:
 1. reinvested profit or any direct investor's share in the profits of a company which is not distributed in the form of dividends or other forms of profit distribution;
 2. debt transactions between any direct investor and a company into which direct investment has already been made. This shall comprise debt securities, commercial loans, financial loans and other debtor-creditor relations. Investments by financial institutions involving debt transactions related to current operations shall not be considered direct investments; only those transactions, which are motivated by permanent interest in ownership status shall be considered direct investments.
- (4) The following shall not be considered direct investments: investments by investment funds, brokerage firms, pension funds, insurance companies, banks and other persons granted by the Croatian Securities Exchange Commission a status of an institutional investor, in accordance with a special law, and investments in financial assets made for the purpose of issuing depository bills.
- (5) The following shall exceptionally be considered direct investments: investment by a bank into another bank or other financial institution whose main activity is the provision of financial services and investment of an insurance company into

another insurance company, provided such investments fulfil the conditions referred to in paragraph 2 of this Article.

Securities Transactions

Article 10

- (1) Securities transactions, under the terms of this Act, shall comprise securities transactions in the capital and money markets and transactions with stakes in investment funds, which are not investment transactions in terms of Article 9 of this Act.
- (2) Securities transactions referred to in paragraph 1 of this Article shall comprise:
 1. issuance, listing, and the sale of domestic securities abroad;
 2. issuance, listing, and the sale of foreign securities in the Republic of Croatia;
 3. investments by residents into securities abroad;
 4. investments by non-residents into securities in the Republic of Croatia.
- (3) The listing of securities referred to in paragraph 2 of this Article means the beginning of trading in foreign securities in the Republic of Croatia or in domestic securities abroad in stock exchanges or regulated public markets.

Credit Transactions

Article 11

- (1) Credit transactions, under the terms of this Act, shall comprise commercial and financial loans. Under the terms of this Act, credit transactions shall also include sureties and guarantees.
- (2) Commercial loans, under the terms of this Act, shall imply deferred payments, or advance payments for goods and services. Commercial loans shall also include bank funding for deferred and advance payments and transactions involving purchases of claims (*factoring and forfaiting*), provided the underlying transaction from which the claims arise can be characterized as a commercial loan..
- (3) Financial loans, under the terms of this Act, shall imply all loans except loans referred to in Article 9, paragraph 2, item 3 and paragraph 2 of this Article. Financial loans shall not comprise sureties and guarantees.
- (4) Credit transactions referred to in Article 9, paragraph 2, item 3 of this Act and all credit transactions referred to in this Article, except deferred and advance payments up to 12 months, based on a commercial transaction, shall be concluded in a written form. Bank loan agreements shall always be concluded in a written form.

Deposit Transactions

Article 12

- (1) Deposit transactions referred to in Article 7, paragraph 2, item 7 of this Act shall mean transactions based on deposit agreements concluded between non-residents and a bank and between residents and a non-resident financial institution.
- (2) Under the terms of this Act, deposit transactions shall also include current account agreements.

Payments Based on Insurance Agreements

Article 13

Payments based on insurance agreements shall include premium payments and payments of insured amounts on the basis of insurance agreements between a non-resident insurance company and a resident as a beneficiary and a resident insurance company and a non-resident as a beneficiary.

Unilateral Transfers of Assets

Article 14

- (1) Unilateral transfers of assets shall mean those transfers of assets from the Republic of Croatia abroad or from abroad to the Republic of Croatia which cannot be characterized as transaction executions between residents and non-residents and which may take the form of personal and physical transfers of assets.
- (2) Personal transfers of assets shall be transfers of assets from the Republic of Croatia and into the Republic of Croatia on the basis of gifts and grants, fixed income, inheritance, settlement of immigrants' debts in parent country, transfer of immigrants' assets abroad and income of non-resident persons employed in the Republic of Croatia.
- (3) The Croatian National Bank may, by means of a special decision, impose restrictions on transfers abroad relating to gifts and grants in accordance with the prescribed limits for physical transfers of assets.
- (4) Physical transfers, under the terms of this Act, shall mean any transfer of domestic cash, foreign cash, checks and materialized securities from and into the Republic of Croatia.

Payments and Collections in Foreign Means of Payment

Article 15

Payments and collections in foreign means of payment between residents and between residents and non-residents in the Republic of Croatia shall be allowed in cases prescribed by law or a decision of the Croatian National Bank.

Foreign Exchange Accounts and Foreign Exchange Savings Deposits Accounts of Residents

Article 16

- (1) Residents may keep foreign exchange in foreign exchange accounts or in foreign exchange savings deposits accounts in banks in the Republic of Croatia. The Croatian National bank shall stipulate the conditions for and the manner of opening and maintaining foreign exchange accounts and foreign exchange savings deposits accounts.
- (2) Any bank opening a foreign exchange account and taking a foreign exchange savings deposit shall be obliged to establish the identity of the relevant resident.
- (3) Banks shall be obliged to keep data on foreign exchange account holders and holders of foreign exchange savings deposits accounts referred to in paragraph 1 of this Article, for five years following the closing of the account.
- (4) The amount of interest and the way it is calculated and paid and the currency in which the interest and the principal are to be paid shall be laid down in an agreement concluded between the bank and the resident.

Loans in Foreign Means of Payment Between Residents

Article 17

- (1) Loans in foreign means of payment may be granted to residents by banks. The loans thus granted may be repaid in foreign currency.
- (2) Other residents shall not grant each other loans in foreign means of payment.

Transactions with Derivative Financial Instruments

Article 18

- (1) The provisions of this Act relating to transactions that serve as a basis for transactions with derivative financial instruments shall apply to transactions with derivative financial instruments.
- (2) The Croatian National Bank may prescribe the conditions for the carrying out of transactions with derivative financial instruments abroad.
- (3) The provision of paragraph 2 of this Article shall not apply to banks, brokers, investment funds, insurance companies, pension funds and other financial institutions whose business operations are governed by special laws.

CHAPTER II

Capital Transactions

II.1 Direct Investments

Direct Investments by Non-Residents and Residents

Article 19

- (1) Direct investments by non-residents in the Republic of Croatia shall be unrestricted, unless otherwise provided by special laws.
- (2) Direct investment abroad by residents shall be unrestricted.

Protection of Direct Investments

Article 20

- (1) Transfer abroad of profits made by any non-resident through direct investment shall be unrestricted, provided that all profit tax relating to the amount to be transferred abroad has been paid in the Republic of Croatia.
- (2) Transfer abroad of the balance of assets in liquidation or of the bankruptcy estate shall be unrestricted, provided that all tax and other legally prescribed obligations relating to such business have been met in the Republic of Croatia.

II.2 Investment in Real Estate

Article 21

Any resident shall be allowed to transfer funds abroad for the purpose of acquiring ownership of real estate abroad provided all legally prescribed obligations have been settled.

II.3 Securities Transactions in the Capital Markets

Investments by Residents in Securities Abroad

Article 22

- (1) Resident legal persons may subscribe, pay in, purchase and sell securities abroad through an authorized company or through participants in stock exchanges and regulated public markets abroad.
- (2) Resident natural persons and individual undertakings may subscribe, pay in, purchase and sell securities abroad only through an authorized company.

- (3) Residents not referred to in paragraph 5 of this Article may purchase abroad securities issued by the OECD member countries and international financial institutions and domestic securities. For other securities that residents referred to in this paragraph may purchase, the Croatian National Bank may stipulate the rating, the country of issue and the stock exchange and regulated public market in which they quote.
- (4) The Croatian National Bank shall prescribe the manner in which and the conditions under which transactions referred to in paragraphs 1, 2 and 3 of this Article shall be conducted.
- (5) Banks, investment funds, insurance companies, pension funds and other financial institutions whose business is governed by special laws may purchase securities abroad in accordance with such laws.

Issuance, Listing, and Sale of Foreign Securities in the Republic of Croatia

Article 23

- (1) The issuance, the listing and the sale of foreign securities in the capital markets in the Republic of Croatia shall be allowed, provided such transactions are in line with regulations governing securities transactions in the Republic of Croatia.
- (2) The Minister of Finance may prescribe the conditions for the issuance, the listing and the sale of foreign securities in the capital markets in the Republic of Croatia.

Investment in Securities in the Republic of Croatia by Non-Residents

Article 24

- (1) Non-residents may subscribe, pay in, purchase or sell securities in the Republic of Croatia in accordance with regulations governing securities transactions in the Republic of Croatia.
- (2) The Croatian National Bank may, by a special decision, prescribe that non-resident custody and cash accounts for payments and collections concerning the sale of securities in the Republic of Croatia be opened in and managed by banks.
- (3) The decision referred to in paragraph 2 of this Article may render the right to acquiring securities for any non-resident subject to an agreement on maintaining a custody account which obliges any non-resident not to alienate or pledge the acquired securities with residents, within a period of one year from the registration of title, and to accept that the custodian bank may have a ban on their right of disposal entered into the register of shareholders, register of security owners or any other register kept by the issuer of securities or by the Central Depository Agency, whereby non-residents rights to dividend or interest payments shall not be challenged.

II.4 Transactions with Securities on the Money Market

Article 25

- (1) The Croatian National Bank may prescribe the lowest permissible rating for any foreign issuer of short-dated securities, whose securities are acquired by residents in the money market abroad. Residents shall be able to purchase domestic securities abroad without any restrictions.
- (2) Banks, investment funds, insurance companies, pension funds and other financial institutions whose business operations are governed by special laws may purchase securities abroad in accordance with such laws.
- (3) The Croatian National Bank may prescribe the lowest permissible rating for any foreign issuer of short-dated securities in the Republic of Croatia.
- (4) Non-residents shall not be allowed to purchase the Croatian National Bank bills and the Treasury bills of the Ministry of Finance of the Republic of Croatia. As regards other short-dated securities, the Croatian National Bank may impose restrictions regarding their acquisition and their alienation prior to maturity.

Verification of Conditions for the Issuance and Listing of Foreign Securities in the Republic of Croatia

Article 26

- (1) During its prospectus approval procedure, the Croatian Securities Exchange Commission shall verify the fulfillment, on the part of the foreign issuer, of the conditions for the issuance of foreign securities in the Republic of Croatia, pursuant to this Act and by-laws of the Croatian National Bank and the Ministry of Finance.
- (2) Stock exchanges and regulated public markets, when listing foreign securities in stock exchange and regulated public markets quotations, shall verify if the securities by foreign issuers meet the conditions laid down in this Act and by-laws of the Croatian National Bank.

II.5 Transactions with Stakes in Investment Funds

Article 27

- (1) The provisions of this Act governing securities transactions in the capital markets shall appropriately apply to transactions with stakes in investment funds, unless otherwise provided by a law governing business operations of investment funds.
- (2) The Croatian National Bank may prohibit investment fund management companies and authorized companies from selling to non-residents stakes and shares in those investment funds that may hold, on the basis of their statutes, over 50% of the Croatian National Bank bills and/or Treasury bills in their portfolios.

II.6 Credit Transactions

Article 28

- (1) Banks may conduct credit transactions with non-residents in their own name and for their own account, in their own name and for the client's account and in the client's name and for the client's account.
- (2) Resident legal persons or individual undertakings, pursuant to this Act, may conduct credit transactions with non-residents in their own name and for their own account and in their own name and for the client's account.
- (3) Other residents may conduct credit transactions with non-residents in their own name and for their own account.
- (4) Residents shall transfer funds from financial loans granted abroad to an account with a bank headquartered in the Republic of Croatia or an account abroad, pursuant to Article 29 of this Act. Exceptionally, residents may use banks abroad for financial loans from abroad, provided the loan agreement stipulated payment for goods and services directly to the supplier or provider of service or provided the financial loan is used to repay another loan previously granted abroad (refinancing).
- (5) When granting loans and issuing guarantees and sureties on behalf of non-residents, residents shall provide those instruments of collateral which are required to ensure a security of the credit transaction, guarantee and surety offered.
- (6) Granting financial loans with maturity of less than one year to non-residents shall be prohibited.
This prohibition shall not apply to banks, to residents when granting financial loans to non-residents related to direct equity investment, and to residents when granting financial loans to non-residents with whom they are related (spouses, parents, children, brothers, sisters).

II.7 Deposit Transactions

Deposit Transactions of Residents

Article 29

The Croatian National Bank shall prescribe the conditions under which residents, except banks, may open and keep accounts abroad.

Deposit Transactions of Non-Residents

Article 30

- (1) Non-residents may open foreign exchange and kuna accounts in banks.
- (2) Any bank opening an account shall establish the identity of the non-resident.
- (3) Data on account owners referred to in paragraph 1 of this Article shall be kept by the bank for five years following the closing of the account.

- (4) The Croatian National Bank shall prescribe the conditions and the manner governing the opening and managing of the accounts.
- (5) The Croatian National Bank may prescribe a monthly limit for kuna and foreign cash withdrawals from and deposits to accounts of non-residents who are not natural persons and may lay down the conditions for issuing approvals for amounts exceeding the prescribed limits.

II.8 Payments Based on Insurance Agreements

Article 31

Payments based on insurance agreements shall be unrestricted, provided the agreement is concluded in accordance with the regulations governing insurance.

CHAPTER III

Payments, Collections and Transfers

III.1 General Provisions

External Payments

Article 32

- (1) External payments shall be executed by banks authorized by the Croatian National Bank and the Croatian Bank for Reconstruction and Development.
- (2) Residents shall make their external payments through banks.
- (3) External payments for the Republic of Croatia may also be executed by the Croatian National Bank.
- (4) The Croatian National Bank shall prescribe the conditions for and the manner of executing external payments.
- (5) All payments and transfers referred to in Article 8 of this Act shall be unrestricted, except where safety measures implemented pursuant to Article 47 of this Act are imposed.

Time Limits for the Execution of External Payment Orders

Article 33

- (1) The bank shall execute a valid external payment order, provided there are sufficient funds in the account of the issuer of the order, on the value date abroad not later than three working days from the date of the receipt of the order, unless the issuer of the order has asked that the payment order be executed at a later value date abroad.
- (2) The bank shall inform its client, the beneficiary of the payment, not later than on the next working day following the receipt of notice on the inflow of funds in an account abroad or in another bank in the country, about the inflow of funds from

abroad, or transfer such funds to another bank in the country in which the payment beneficiary holds an account.

- (3) The bank shall, not later than on the next working day following the receipt of a valid order from the payment beneficiary, allocate funds in accordance with the order.

Payments and Collections in Transactions with Non-Residents in Domestic Cash, Foreign Cash and Checks

Article 34

- (1) Residents referred to in Article 2, paragraph 1, items 1, 2 and 3 of this Act may execute or receive payments arising from transactions with non-residents in domestic cash, foreign cash and checks under the conditions and in the manner prescribed by the Croatian National Bank.
- (2) Residents shall deposit foreign cash and checks paid pursuant to paragraph 1 of this Article, in a bank account or, if so agreed with a bank, sell them to the bank within the time limits laid down by the Croatian National Bank

III.2 Payments and Transfers Based on Capital Transactions

Article 35

- (1) Payments and transfers based on capital transactions shall be unrestricted, provided the transaction is concluded and notified in accordance with this Act and provided all tax obligations arising from any such transaction in the Republic of Croatia have been met. By way of exception, Article 20, paragraph 1 of this Act shall apply to transfers abroad of profits made by non-residents through direct investments.
- (2) A bank shall not execute any external payment orders related to a transfer abroad of profits from direct investments and to a transfer of the balance of assets in liquidation or of the bankruptcy estate if such payment would be contrary to paragraph 1 of this Article.

III.3 Unilateral Transfers of Assets – Physical Transfers of Assets

Taking In and Out of the Country Foreign Cash, Domestic Cash and Checks

Article 36

- (1) Foreign cash and checks denominated in foreign currency may be taken into the Republic of Croatia without restrictions, subject to customs declaration pursuant to Article 40 of this Act.
- (2) The Croatian National Bank shall prescribe the limits for unrestricted:
 1. taking foreign cash out of the country;
 2. taking domestic cash in and out of the country;

3. taking checks in and out of the country,
and shall lay down the conditions for issuing approvals for taking in and out of the country amounts in excess of the prescribed limits.
- (3) Banks shall be free, for the purpose of carrying out their business operations, to take out of the country foreign cash and checks denominated in foreign currency, in excess of the limits laid down in a decision by the Croatian National Bank pursuant to paragraph 2 of this Article.

Procedure Governing Declared Amounts in Domestic and Foreign Cash and Checks in Excess of Permitted Limits

Article 37

- (1) Any passenger declaring an amount in domestic and foreign cash and checks in excess of permitted limits, shall be instructed by the customs officer to deposit any such excess amount in a bank, or if possible, in the customs office.
- (2) In the event that the passenger referred to in paragraph 1 of this Article refuses to act in accordance with the authorized customs officer's instruction, it shall be deemed that it is his/her intention to take out of the country, contrary to this Act, domestic and foreign cash, or checks.
- (3) Domestic and foreign cash and checks referred to in paragraph 1 of this Article, deposited in a customs office, shall be returned to the passenger on his/her return journey or following his/her return to the Republic of Croatia, and the passenger shall be required to pay handling charges amounting to 1% of the amount deposited. In no case shall the handling charges exceed 350.00 kuna or be less than 35.00 kuna, payable in kuna.
- (4) Should the passenger, or his/her proxy, fail to claim the domestic or foreign cash deposited pursuant to paragraph 1 of this Article, within 90 days from the date such a deposit was made, the passenger, or his/her proxy, will be deemed to have waived their right to the deposit in favor of the Government Budget of the Republic of Croatia, with a note to this effect being included in the deposit receipt issued by the customs office.

Sending and Transferring Materialized Securities To or From Foreign Countries

Article 38

- (1) Resident-owned materialized securities may be sent and transferred to or from foreign countries by an authorized company or a custodian bank for the purpose of:
 1. exercising rights derived from such securities;
 2. transferring rights derived from such securities to non-residents;
 3. safe-keeping of foreign securities or securities issued abroad by residents, provided such securities shall be entrusted to a person authorized abroad to conduct such transactions.
- (2) The provision of paragraph 1 of this Article shall not apply to temporary transfers of securities to or from foreign countries for the purpose of exercising rights

derived from the securities, which is subject to prior notification to the Croatian National Bank.

Special Provision

Article 39

Article 22, paragraphs 2 and 3, Article 25, paragraph 1, Article 27, Article 28, paragraphs 4 and 6, Article 29, Article 36, paragraph 2, item 1 and Article 38, paragraph 1 of this Act, governing the transfer of residents' capital abroad, shall not apply to residents staying abroad on the basis of a valid work permit, for a period of not less than 183 days and residents referred to in Article 2, paragraph 1, item 5.

Prevention of Money Laundering

Article 40

- (1) Residents and non-residents shall be obliged, when crossing the state border, to declare to the customs officer any amount of domestic or foreign cash and checks that is being taken into or out of the country that is governed by the act regulating the prevention of money laundering.
- (2) The obligation referred to in paragraph 1 of this Article shall also apply to any representative, responsible person or proxy, taking into or out of the country domestic or foreign cash and checks on behalf of any legal person.

Fictitious Agreements

Article 41

No resident shall settle false claims or issue orders for payments to non-residents on the basis of fictitious agreements or invoices, or conclude agreements not based on actual prices.

CHAPTER IV

Foreign Exchange Market and the Exchange Rate

Foreign Exchange Market

Article 42

- (1) Foreign exchange market, under the terms of this Act, shall comprise all foreign exchange purchase and sale transactions.
- (2) Banks shall conclude foreign exchange purchase and sale transactions in their own name and for their own account and in their own name and for the client's account, and other persons in their own name and for their own account.
- (3) Residents and non-residents shall conduct their foreign exchange purchase and sale transactions in banks. The Ministry of Finance may also conduct its foreign exchange purchase and sale transactions in the Croatian National Bank.
- (4) Residents referred to in Article 2, paragraph 1, items 4 and 5 of this Act and natural non-resident persons may also conduct their foreign exchange purchase and sale transactions through authorized exchange offices.
- (5) Unless listed in paragraph 4 of this Article, residents and non-residents shall not be allowed to conduct their foreign exchange purchase and sales transactions through authorized exchange offices.

Purchase and Sale of Foreign Exchange Through Spot and Forward Transactions

Article 43

- (1) Participants in the foreign exchange market may purchase and sell foreign exchange through spot and forward transactions.
- (2) Forward foreign exchange purchase and sale transactions, under the terms of this Act, shall mean any purchase or sale transaction with a maturity of not less than two working days from the date of agreement.

Exchange Rate Determination

Article 44

The exchange rate of foreign currencies against the kuna shall be freely determined on the foreign exchange market, on the basis of supply and demand.

Publication and Application of the Mean Exchange Rate of the Croatian National Bank

Article 45

- (1) The Croatian National Bank shall determine every working day the value of the kuna against other currencies on the basis of foreign exchange purchase and sale transactions and the exchange rates of foreign currencies in the foreign exchange market. The exchange rate thus determined shall be made public by the Croatian National Bank.
- (2) The Croatian National Bank shall prescribe the manner and the time limits in which the banks and the authorized exchange offices shall submit data on foreign exchange purchase and sale transactions in the foreign exchange market.
- (3) The mean exchange rate of the Croatian National Bank for foreign means of payment shall be used in statements of foreign assets and liabilities and for statistical purposes.
- (4) When charging import and export levies, foreign exchange shall be converted into kuna using the mean exchange rate of the Croatian National Bank applicable on a working day before the last working day in a week preceding the week in which the amount of import and export levies is determined, unless otherwise stipulated by the Minister of Finance.

Authorized Exchange Offices

Article 46

- (1) Exchange transactions shall mean the purchase and sale of foreign cash and purchase of checks denominated and payable in foreign currency.
- (2) Exchange transactions may be conducted by any resident with a status of a legal person and any individual undertaking using in their work protected computer programs for exchange transactions, that have an agreement with a bank and are authorized to conduct exchange transactions (authorized exchange offices).
- (3) The Croatian National Bank shall prescribe the conditions for exchange transactions and the manner in which they are to be conducted.

CHAPTER V

Safety Provisions

Preconditions for Taking Safety Measures

Article 47

- (1) Where capital movements cause or threaten to cause serious difficulties in the implementation of monetary or foreign exchange policies, the Croatian National Bank may issue a special decision prescribing safety measures.

- (2) The safety measures may be implemented by the Croatian National Bank or the Government of the Republic of Croatia, provided they are necessary for the execution of sanctions imposed by the United Nations or other international organizations of which the Republic of Croatia is a member.
- (3) Safety measures referred to in paragraph 1 of this Article may be prescribed for a maximum period of six months.
- (4) By way of exception, the Croatian National Bank may extend the period referred to in paragraph 3 of this Article, subject to approval of the Croatian Parliament.
- (5) The Government of the Republic of Croatia and the Croatian Securities Exchange Commission shall be notified of any safety measures, prior to their implementation.

Safety Measures

Article 48

Safety measures of the Croatian National Bank referred to in Article 47 of this Act may comprise:

1. measures restricting the rights of residents to use funds in their accounts abroad or in their foreign exchange accounts in the Republic of Croatia;
2. measures obliging the banks to sell to the Croatian National Bank any foreign exchange derived from the exchange transactions of banks and authorized exchange offices;
3. measures restricting credit transactions between residents and non-residents;
4. measures restricting payment and collection transactions involving foreign claims and liabilities;
5. measures restricting the transfer of securities, foreign cash and gold into and from the Republic of Croatia;
6. measures restricting securities and gold transactions between residents and non-residents;
7. measures restricting the issuing of guarantees or sureties, offering of pledges or other instruments of collateral for the account of non-resident.

CHAPTER VI

Business Books and Reporting

VI.1 General Provisions Governing Reporting on External Operations

Reporting Obligation

Article 49

- (1) Residents covered by the reporting obligation shall report to the Croatian National Bank, directly or indirectly through banks, authorized companies, Central Depository Agency and customs authorities.
- (2) Residents covered by the reporting obligation shall allow the Croatian National Bank and the Ministry of Finance – Foreign Exchange Inspectorate, and the

Customs Administration, to examine their business books and other business documentation, for the purpose of data verification.

- (3) The Croatian National Bank shall define in detail the conditions, the substance, the manner and the procedure of reporting.
- (4) The Croatian National Bank shall make balance of payments projections for the Republic of Croatia.
- (5) For the purpose of monitoring the outturn of the projected balance of payments of the Republic of Croatia, residents shall submit to the Croatian National Bank data on external operations and transactions in the manner and within the time limits prescribed by a special decision of the Croatian National Bank.

VI.2 Control Book

Article 50

- (1) Banks shall keep control books on all payments and collections arising from those external current transactions which they conduct in their own name and for their own account.
- (2) Other residents referred to in Article 2, paragraph 1, items 1, 2 and 3, shall keep control books on all payments and collections arising from external current and capital transactions, irrespective of the fact that data entered in that book is entered in other books and records which such residents are obliged to keep pursuant to other regulations.
- (3) The control book shall be made available to foreign exchange control officials immediately and not later than on the next working day.
- (4) The Minister of Finance shall prescribe the manner in which control books are to be kept and the content of such control books.

VI.3 Reporting on Direct and Other Equity Investment

Article 51

- (1) Residents shall report any investment or any subsequent change in investment to the Croatian National Bank within 30 days after any direct or other equity investment abroad, or after any direct or other equity investment by non-residents in the Republic of Croatia.
- (2) The Croatian National Bank shall prescribe the manner in which such reporting shall be made and the manner in which data on direct and other equity investment shall be collected.

VI.4 Reporting on Securities Transactions

Article 52

- (1) Each authorized company and each custodian bank shall report to the Croatian National Bank on any resident securities transactions abroad and any non-resident securities transactions in the Republic of Croatia.
- (2) Resident issuers of debt securities shall report to the Croatian National Bank on each issuance and sale of such securities abroad.

VI.5 Reporting on Credit Transactions

Article 53

- (1) Residents shall report to the Croatian National Bank on any credit transactions with non-residents in the manner and within the time limits prescribed by the Croatian National Bank.
- (2) For reporting purposes, the Croatian National Bank may stipulate that credit transactions also comprise certain other transactions between residents and non-residents, the economic purpose of which equals that of a credit transaction.

VI.6 Reporting on Deposit Transactions

Article 54

Residents shall report to the Croatian National Bank on the transactions and balances in their accounts abroad and in the accounts of their branches abroad in the manner and within the time limits laid down in a decision by the Croatian National Bank.

CHAPTER VII

Supervision

VII.1 General Provisions

Supervisory Bodies

Article 55

Supervision over transactions pursuant to this Act shall be exercised by the Croatian National Bank and the Ministry of Finance – Foreign Exchange Inspectorate and Customs Administration (hereinafter: supervisory bodies).

Exchange of Information Between Supervisory Bodies

Article 56

- (1) Supervisory bodies shall exchange information needed in the process of supervision and inform each other about any irregularities established in the course of supervision, provided such findings are relevant for the work of the other supervisory body.
- (2) Supervisory bodies shall define the content of the exchange of information and the manner in which such an exchange of information is to take place by means of an agreement on the exchange of information or by means of other enactments.

VII.2 Real Competence

Competence of the Ministry of Finance – Foreign Exchange Inspectorate

Article 57

- (1) The Ministry of Finance – Foreign Exchange Inspectorate shall supervise the application and the implementation of this Act and the operations of residents and non-residents performing their business or other activity in the territory of the Republic of Croatia.
- (2) Residents and non-residents referred to in paragraph 1 of this Article shall allow foreign exchange inspectors unrestricted supervision and control of their business operations and shall make available or send to them, on request, all required documentation and data on the business activity the resident is exercising abroad.

Competence of the Ministry of Finance – Foreign Exchange Inspectorate and the Croatian National Bank

Article 58

- (1) The Ministry of Finance – Foreign Exchange Inspectorate and the Croatian National Bank shall supervise foreign exchange transactions of banks, branches and representative offices of foreign banks.
- (2) The Ministry of Finance – Foreign Exchange Inspectorate shall supervise the work of authorized exchange offices.

Competence of the Ministry of Finance – Customs Administration

Article 59

- (1) The Ministry of Finance – Customs Administration shall exercise supervision over denominations and the amount of domestic and foreign cash and securities which

are taken in or out of the Republic of Croatia by residents and non-residents in passenger, goods and postal traffic.

- (2) The Ministry of Finance – Customs Administration may authorize the Croatian Postal Service (Hrvatska Pošta d.d.) to exercise supervision over postal traffic.

CHAPTER VIII

Penal Provisions

VIII.1 Misdemeanors

Article 60

- (1) A fine of 70,000.00.00 to 1,000.00,000.00.00 kuna shall be imposed for misdemeanor on any legal or any natural person who:
 1. settles a false external claim or issues an external payment order to a bank based on a fictitious agreement or invoice;
 2. concludes an agreement with a legal or a natural person abroad on the import or export of goods or services that does not state the actual prices.
- (2) A fine of 35,000.00.00 to 100,000.00.00 kuna shall be imposed for misdemeanors referred to in paragraph 1 of this Article on any management board member, any person authorized to manage funds in a legal person's account or other responsible person in a legal person.

Article 61

- (1) A fine of 50,000.00.00 to 1,000.00,000.00.00 kuna shall be imposed for misdemeanor on banks or other legal persons which, when concluding loan agreements, issuing guarantees or sureties in favor of non-residents, fail to secure instruments of collateral or secure such instruments of collateral whose value is evidently disproportionate with the cost of the loan or the highest amount of the issued guarantee.
- (2) A fine of 20,000.00 to 100,000.00 kuna shall be imposed on any management board member or other responsible person committing misdemeanors referred to in paragraph 1 of this Article.
- (3) In the event of agreements referred to in paragraph 1 of this Article, concluded with non-residents who, on account of their credit worthiness, may with certainty be expected to repay the loan on time and in full, the fine imposed on the persons committing the misdemeanor may be reduced or they may be granted a remission of the fine.
- (4) In the event of agreements referred to in paragraph 1 of this Article, concluded with non-residents who have duly paid all their due debts towards the bank, the person committing the misdemeanor shall be granted a remission of the fine.

Article 62

- (1) A fine of 50,000.00 to 500,000.00 kuna shall be imposed for misdemeanor on any legal or natural person who:
 1. conducts exchange transactions without an agreement with a bank or fails to use protected computer programs in exchange transactions;
 2. fails to allow a person authorized by the Foreign Exchange Inspectorate to exercise supervision or prevents such a person from carrying out its official duty.
- (2) A responsible person in a legal person committing misdemeanors referred to in paragraph 1 of this Article, shall be fined 10,000.00 to 50,000.00 kuna for such a misdemeanor.
- (3) For misdemeanors referred to in paragraph 1 of this Article, the body in charge of misdemeanor proceedings, may, in addition to a financial fine, impose on the person committing the misdemeanor, a preventive measure involving a ban on this person's right to conduct exchange transactions or other activities for a period of three months to one year, except for payments and transfers referred to in Article 8 of this Act.
- (4) Foreign cash and domestic cash, as the subjects of misdemeanors referred to in paragraph 1, item 1 of this Article shall, on the basis of a ruling on misdemeanor, be seized in favor of the Government Budget of the Republic of Croatia.

Article 63

- (1) A fine of 15,000.00 to 200,000.00 kuna shall be imposed for misdemeanor on any legal or natural person who:
 1. within 30 days from the initial direct investment or other equity investment, fails to report any such investment to the Croatian National Bank or fails to report other required data as prescribed by a decision of the Croatian National Bank, or if he reports in a manner contrary to the manner prescribed for such a reporting;
 2. transfers funds abroad for the purpose of purchasing real estate abroad, without fulfilling the conditions laid down by this Act;
 3. executes or collects any payments in foreign means of payment in transactions with residents or non-residents in the Republic of Croatia, contrary to this Act or a decision issued by the Croatian National Bank;
 4. purchases securities in the capital markets abroad, whose issuers do not meet the requirements set by law or by a decision issued by the Croatian National Bank;
 5. fails to subscribe, pay, purchase or sell securities abroad through an authorized company, where this is prescribed by this Act;
 6. sells in the money market in the Republic of Croatia, in transactions with non-residents, the Croatian National Bank bills or the Treasury bills of the Ministry of Finance and sells or redeems before maturity other short-dated securities, where this, pursuant to a decision of the Croatian National Bank, is not allowed;
 7. purchases, in the money markets abroad, securities whose ratings do not meet the requirements prescribed by a decision of the Croatian National Bank;
 8. enters into a loan agreement with a non-resident in the name and for the account of another person, contrary to the provisions of this Act, fails to transfer the funds from a financial loan granted abroad to an account with a bank headquartered in the Republic of Croatia, or to an account opened abroad pursuant to Article 29 of

this Act, fails to use the financial loan granted abroad in accordance with the loan agreement, unless direct payment of goods and services to the supplier or the provider of services has been agreed or unless the financial loan is used to pay off a previous external loan;

9. sends, transfers, or attempts to transfer abroad or from abroad materialized securities, otherwise than through an authorized company or a custodian bank, or where this, pursuant to provisions of this Act, is not allowed;
 10. extends a financial loan to a non-resident, with a maturity of less than one year, when this is not allowed under this Act;
 11. opens an account abroad contrary to this Act, or fails to comply with the obligations contained in the authorization of the Croatian National Bank;
 12. fails to submit reports to the Croatian National Bank on transactions and balances in its accounts abroad and in accounts of its branches abroad in the manner and within the time limits prescribed by the Croatian National Bank;
 13. fails to conduct external payment transactions in accordance with this Act or regulations of the Croatian National Bank;
 14. makes payments and collections in connection with transactions with non-residents in domestic cash, foreign cash and checks, in a manner contrary to the conditions and the manner prescribed by the Croatian National Bank, and fails to deposit with the bank or sell to the bank the foreign cash and checks within the prescribed time limit;
 15. conducts transactions with derivative financial instruments abroad in a manner contrary to the conditions stipulated by a decision of the Croatian National Bank;
 16. fails to comply with the conditions and the manner governing transactions of authorized exchange offices, as prescribed by the Croatian National Bank;
 17. purchases or sells foreign cash, lends or borrows foreign cash, acts as a mediator in the purchase, sale or foreign cash lending contrary to this Act;
 18. fails to submit to the Croatian National Bank within the prescribed time limits required reports on its external foreign exchange operations or activities it performs abroad, or does it in a way different from that prescribed for reporting, fails to provide the requested documentation to the Foreign Exchange Inspectorate, or fails to keep business books on its operations in the prescribed manner;
 19. fails to comply with the measures for the protection of monetary of foreign exchange system prescribed by the Croatian National Bank.
- (2) A responsible person in a legal person shall also be fined 3,000.00 to 20,000.00 kuna for misdemeanors referred to in paragraph 1 of this Article.
 - (3) In cases of gross misdemeanors referred to in paragraph 1 of this Article, where the value of the subject of misdemeanor exceeds 100,000.00 kuna, or where the misdemeanor is committed in relapse, or is committed in an especially dangerous way, the legal or natural person and the responsible person in a legal person shall be fined for such misdemeanors 30,000.00 to 400,000.00 kuna.
 - (4) Foreign or domestic cash, as the subjects of misdemeanors referred to in paragraph 1 of this Article or foreign cash or domestic cash as the subject of a payment transaction resulting from a misdemeanor, shall be seized in misdemeanor proceedings on the basis of a ruling on misdemeanor.
 - (5) By way of exception, in cases involving minor misdemeanors as determined by this Act, where there are special extenuating circumstances, the body in charge of misdemeanor proceedings may decide that the foreign and domestic cash referred to in paragraph 1 of this Article shall not be seized or shall be seized only in part.

Article 64

- (1) A fine of 35,000.00 to 500,000.00 kuna shall be imposed for misdemeanor on a bank which:
1. when concluding agreements on managing non-resident custody accounts for the purchase of securities in the Republic of Croatia, fails to comply with the conditions prescribed by a decision of the Croatian National Bank;
 2. concludes a loan agreement abroad for a client's account when it is not licensed to provide services involving external credit transactions;
 3. conducts any foreign exchange operation without authorization or oversteps the authority granted to it by virtue of a license obtained from the Croatian National Bank;
 4. executes a client's order, thus enabling the client to manage foreign means of payments in the country or abroad, or the kuna abroad, contrary to this Act; where the bank knows or should have known that a free use of foreign means of payment or the kuna is contrary to this Act;
 5. takes a domestic cash deposit in a non-resident account, or foreign cash, when this, pursuant to provisions of this Act is not allowed, or enables withdrawal of domestic and foreign cash from non-residents accounts, contrary to this Act;
 6. fails to execute a valid external payment order, within the legally prescribed time limit, fails to inform the payment beneficiary about the inflow from abroad, fails to transfer the funds received to another bank in the country in which the payment beneficiary holds and account, or fails to allocate such funds in accordance with the order of the payment beneficiary, or fails to allocate the funds on the basis of a valid order of the payment beneficiary within the prescribed time limit;
 7. concludes an agreement on exchange transactions with a person that does not fulfil the conditions prescribed by this Act;
 8. concludes an agreement with an authorized exchange office which does not contain the elements prescribed as obligatory by a decision of the Croatian National Bank;
 9. fails to submit a report to the Croatian National Bank, where this is prescribed by this Act, or fails to supply data to the Foreign Exchange Inspectorate within the prescribed time limits or in the prescribed manner;
 10. conducts external payment transactions or manages foreign exchange accounts contrary to regulations of the Croatian National Bank;
 11. fails to establish the identity of any resident or non-resident opening a foreign exchange account or a foreign exchange savings deposit account, or of any non-resident opening a kuna account, or fails to keep data on account holders for a period of five years following the closing of the account.
- (2) A responsible person in the bank shall be fined 2,000.00 to 35,000.00 kuna for misdemeanors referred to in paragraph 1 of this Article.

Article 65

- (1) A fine of 50,000.00 to 200,000.00 kuna shall be imposed on any securities stock exchange or regulated public market, which, contrary to this Act, decides to list in a quotation shares of foreign joint-stock companies, whose foreign issuers have

not fulfilled the conditions for the sale of securities in the securities market in the Republic of Croatia, as stipulated by the Minister of Finance or if it lists in a quotation foreign short-dated debt securities with a rating below that prescribed by a decision of the Croatian National Bank.

- (2) A minimum fine imposed on a management board member or other responsible person committing a misdemeanor referred to in paragraph 1 of this Article shall be 15,000.00 kuna.

Article 66

- (1) A fine of 35,000.00 to 150,000.00 kuna shall be imposed on any authorized company which executes its client's order in the money market in the Republic of Croatia, thus enabling a non-resident to purchase the Croatian National Bank bills or the Treasury bills of the Ministry of Finance owned by a resident, or to purchase or sell before maturity other short-dated securities issued by residents, contrary to a decision of the Croatian National Bank.
- (2) A fine of 15,000.00 to 35,000.00 kuna shall also be imposed for misdemeanors referred to in paragraph 1 of this Article on any management board member, broker or other responsible person in a legal person.

Article 67

- (1) A fine of 35,000.00 to 150,000.00 kuna shall be imposed on any investment fund management company or any authorized company which enables a non-resident to invest in an investment fund when such an activity is not allowed, as stipulated by a decision of the Croatian National Bank.
- (2) A misdemeanor fine of 15,000.00 to 35,000.00 kuna shall also be imposed on a management board member or other responsible person in a legal person.

Article 68

- (1) A fine of 2,000.00 to 20,000.00 kuna shall be imposed for misdemeanor on any natural person which, in international passenger traffic, contrary to this Act, takes out or attempts to take out of the country foreign cash, checks denominated in foreign currency or domestic cash in excess of the permitted limits, without an authorization from the Croatian National Bank, fails to report to the customs officer the taking out of the country foreign cash, checks or domestic cash and takes or attempts to take into the country kuna in excess of the permitted limits, without an authorization from the Croatian National Bank.
- (2) A misdemeanor fine referred to in paragraph 1 of this Article shall also be imposed on a natural person – passenger, who declares the taking out of cash in kuna or in foreign exchange in excess of permitted limits, but refuses to deposit such excess amount.
- (3) Foreign cash, checks and domestic cash, as the subjects of misdemeanors referred to in paragraphs 1 and 2 of this Article, shall be seized, on the basis of a misdemeanor ruling, in favor of the Government Budget of the Republic of Croatia.

- (4) Foreign cash, checks and domestic cash as the subjects of misdemeanors, may be seized even when they are not the property of the person committing the misdemeanor.
- (5) By way of exception, in especially warranted situations, the body in charge of misdemeanor proceedings may decide that foreign cash, checks and domestic cash, as the subjects of misdemeanors referred to in paragraphs 1 and 2 of this Article, are not to be seized or to be seized only in part.

Article 69

- (1) A fine of 5,000.00 to 50,000.00 kuna shall be imposed for misdemeanor on any domestic and foreign natural person, domestic and foreign legal person, representative, responsible person or proxy of any domestic or foreign legal person, who attempts to take or takes over the state borders, without declaring it to the customs officer, cash and checks in the amounts governed by the act on the prevention of money laundering.
- (2) Cash and checks, as the subjects of misdemeanors referred to in paragraph 1 of this Article, shall be seized on the basis of a misdemeanor ruling in favor of the Government Budget of the Republic of Croatia.
- (3) Cash and checks, as the subjects of misdemeanors, may be seized even when they are not the property of the person committing the misdemeanor.
- (4) By way of exception, in especially warranted situations under especially extenuating circumstances, the body in charge of misdemeanor proceedings may decide that cash and checks, as the subjects of misdemeanors referred to in paragraph 1 of this Article, are not to be seized or to be seized only in part.

Article 70

When performing foreign exchange control, the Foreign Exchange Inspectorate and the customs authority, shall temporarily seize the domestic and foreign cash and the documentation and other objects which are used to commit the misdemeanor, which result from the misdemeanor or which may be used as evidence in misdemeanor proceedings, in accordance with the regulations governing such misdemeanor proceedings and they shall issue a receipt for any domestic or foreign cash, documentation or other objects seized. The domestic and foreign cash shall be paid immediately into special accounts with the Foreign Exchange Inspectorate of the Ministry of Finance.

Article 71

Persons authorized by the Foreign Exchange Inspectorate may impose a temporary restriction or a ban on certain activities of legal or natural persons even before the initiation of misdemeanor proceedings, by sealing work equipment or business premises, if there is reasonable doubt that the misdemeanor referred to in Article 62, paragraph 1 of this Act has been committed.

Article 72

When a natural person is designated as the person committing certain misdemeanors, the persons committing such misdemeanors may be citizens in the capacity of natural persons, sole traders, craftsmen and other self-employed natural persons performing the activity of their registration, unless it follows from the elements of a specific act or a specific regulation that the person committing the misdemeanor may only be one of those persons.

Article 73

- (1) Misdemeanor proceedings for misdemeanors provided by this Act, may not be initiated after a period of three years following the date on which the activity involving a misdemeanor ended.
- (2) Limitation shall begin in any case after a period of six years following the date on which the activity involving a misdemeanor ended.
- (3) The course of limitation and the suspension of limitation regarding the initiation of misdemeanor proceedings and the limitation regarding the execution of misdemeanor penalty and preventive measures shall be governed by the Misdemeanors Act.

Article 74

- (1) The Foreign Exchange Inspectorate of the Republic of Croatia shall conduct misdemeanor proceedings of the first instance.
- (2) An appeal may be filed with the High Magistrate Court of the Republic of Croatia against the ruling of the Foreign Exchange Inspectorate of the Republic of Croatia.

VIII.2 Criminal Offences

Article 75

Persons engaging in illicit purchase, sale, borrowing or lending of foreign cash, in the mediation in the purchase, sale or lending of foreign cash, or engaging in illicit exchange transactions without an agreement with a bank, shall be punished with a prison sentence of up to five years or with a fine of up to one hundred and fifty daily earnings.

Article 76

Responsible persons which, by concluding agreements, arranging for transactions, or in any other way purchase, sell or lend foreign cash, or mediate in the purchase, the sale or lending of foreign cash for a legal person contrary to this Act, or arrange for exchange transactions in a legal person without an agreement with a bank, shall be punished with a prison sentence of up to five years or with a fine of up to one hundred and fifty daily earnings.

CHAPTER IX

Transitional and Final Provisions

Time Limits for the Adoption of Subordinate Legislation

Article 77

The Ministry of Finance and the Croatian National Bank shall adopt subordinate legislation pursuant to this Act within 90 days after its coming into effect.

Time Limits for Lifting Restrictions on Certain Capital Transactions

Article 78

- (1) After expiry of four years from the date of coming into effect of the Stabilization and Association Agreement Between the Republic of Croatia, of the One Part and the European Communities and their Member States, of the Other Part, Article 18, paragraph 2, Article 22, paragraphs 3 and 4, Article 23, paragraph 2, Article 24, paragraph 3, Article 25, Article 26, Article 27, Article 28, paragraph 6, Article 63, paragraph 1, items 4, 5, 6, 7, 10 and 15, Article 64, paragraph 1, item 1, Article 65, Article 66 and Article 67 of this Act shall cease to be valid.
- (2) After the Republic of Croatia acquires full membership in the European Union, Article 47, paragraph 4 shall cease to be valid.

Laws and Subordinate Legislation that shall be Superseded following the Adoption of this Law and Subordinate Legislation that shall Remain in Effect until New Subordinate Legislation is Enacted

Article 79

- (1) On the date of coming into effect of this Act, the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions Act (official gazette *Narodne novine* Nos. 91A/93, 36/98 and 32/01), the External Credit Transactions Act (official gazette *Narodne novine*, No. 43/96), the Decree on Establishing a Deadline Referred to in Article 3, Paragraph 1 of the External Credit Transactions Act (official gazette *Narodne novine*, No. 62/01) and the subordinate legislation enacted on the basis of these acts shall cease to be valid, with the exception of:
 - a) subordinate legislation enacted on the basis of the Foreign Exchange System, Foreign Exchange Operations and Gold Transactions Act (official gazette *Narodne novine* Nos. 91A/93, 36/98 and 32/01), apart from the segment not contrary to this Act, which comprises:
 - Decision on Collecting Data on Foreign Direct and Portfolio Investments (official gazette *Narodne novine*, No. 4/97);
 - Decision on Collecting Data on International Transactions Related to Communications Services (official gazette *Narodne novine*, No. 62/01);

- Decision on Collecting Data on International Transactions Related to Insurance (official gazette *Narodne novine*, No. 62/01);
- Decision on the Method of Performing Exchange Transactions (official gazette *Narodne novine*, No. 44/01);
- Decision on the Method of and Deadlines for Submitting Reports on the Purchase and Sale of Foreign Exchange in the Foreign Exchange Market (official gazette *Narodne novine*, No. 57/01);
- Decision on the Conditions Under Which Foreign Legal Persons May Be Given Approvals for Depositing Foreign Cash in Foreign Exchange Accounts (official gazette *Narodne novine*, No. 107/93);
- Decision on the Conditions Under Which Foreign Persons May Acquire Claims in the Currency of the Republic of Croatia (official gazette *Narodne novine*, Nos. 114/93 and 14/96);
- Decision on Conditions for Obtaining an Authorization to Settle Claims Abroad in Foreign Cash (official gazette *Narodne novine*, Nos. 107/93, 116/93, 97/94, 2/95 and 87/01);
- Decision on the Conditions Under Which Claims from Abroad May Be Settled in Non-Transferable Currencies (official gazette *Narodne novine*, No. 115/93);
- Decision on the General Conditions for Giving Approvals to Domestic Persons to Keep Foreign Exchange in Accounts Abroad (official gazette *Narodne novine*, No. 17/02 and 10/03);
- Decree on Keeping a Control Book on Each Foreign Trade Transaction and External Credit Transaction (official gazette *Narodne novine*, No. 112/93);
- Decision on the Method of Performing External Payments Operations (official gazette *Narodne novine*, Nos. 99/93, 97/94, 2/96 and 7/96);
- Decision on the Necessary Documentation to be Submitted by Foreign Legal Persons to Banks Authorized for External Payments Operations, in Which They Are Opening a Domestic or a Foreign Currency Account (official gazette *Narodne novine*, No. 38/99);
- Decision on Withdrawing Foreign Cash from Foreign Exchange Accounts of Foreign Legal Persons (official gazette *Narodne novine*, No. 28/97);
- Decision on Taking Into and Out of the Country Domestic Cash in International Passenger Traffic (official gazette *Narodne novine*, Nos. 44/94 and 88/98)
- Decision on the Amount of Foreign Exchange that Domestic Natural Persons May Take Out of the Republic of Croatia in International Passenger Traffic (official gazette *Narodne novine*, No. 99/93);
- Decision on the Conditions Under Which Domestic Natural Persons May Take Checks and Other Securities Denominated in Foreign Currency Out of the Republic of Croatia in International Passenger Traffic (official gazette *Narodne novine*, No.107/93);
- Decision on the Conditions Under Which Domestic and Foreign Currency, Checks and Other Securities May Be Taken Into and Out of the Republic of Croatia in Postal and Other Type of Parcels (official gazette *Narodne novine*, Nos. 99/93, 107/93, and 50/94);
- Decision on Collecting Data on International Transport Services (official gazette *Narodne novine*, No. 80/98);
- Instructions on the Method and the Procedure of Reporting on the Balance of Claims from Abroad (official gazette *Narodne novine*, No. 53/99) except items V, VI, VIII and XI of the Instruction which cease to be valid;

- b) subordinate legislation enacted on the basis of the External Credit Transactions Act (official gazette *Narodne novine*, No. 43/96) which comprises:
- Decision on the Registration of External Credit Transactions (official gazette *Narodne novine*, No. 132/99);
 - Decision on the Changes in the KZ2 and KO2 Forms (official gazette *Narodne novine*, No. 147/99)

which shall remain in effect until subordinate legislation referred to in Article 77 of this Act is enacted.

(2) As of the date of coming into effect of this Act, Article 41, Article 64 and Article 73, paragraph 2 of the Trade Act (official gazette *Narodne novine*, Nos. 11/96, 75/99, 76/99, 62/01, 109/01 and 49/03 - amended text), and subordinate legislation enacted pursuant to Article 41 of the Trade Act (Decision on External Compensation Transactions, official gazette *Narodne novine*, No. 54/97) shall cease to be valid.

Date of Effect of this Act

Article 80

This Act shall come into effect on the eight day following its publication in the official gazette *Narodne novine*.