

# EUROPEAN BANKING GUIDE FOR NONPROFITS

## *HOW TO OPEN AND MANAGE AN ORGANIZATIONAL BANK ACCOUNT*



European Center for  
Not-for-Profit Law



**PILnet**



**CROATIA**

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European Center for  
Not-for-Profit Law

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# 1. OPENING AN ORGANISATIONAL BANK ACCOUNT

## a. What are the requirements to open an organisational bank account?

The CSOs in Croatia are predominantly incorporated and operate as associations (Croatian: “zadruga”). Hence, we have assumed this Questionnaire refers to associations and the answers provided below therefore refer to (foreign) associations as well.

Depending on the bank where the account will be opened, the following documents are generally required: a document on establishment in the domicile country, excerpt from the Register of Foreign Associations in the Republic of Croatia (the “Register”), certificate of personal identification number in Croatia (OIB), AML questionnaire, excerpt from the register of beneficial owners (if applicable), etc.

### i. Do organisations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

The banks usually require foreign associations to be registered with the Register. By law, the registration is required for a foreign association to carry out its activities in Croatia (Act on Associations, Art. 21. Par. 2.; available on the official gazette website (in Croatian only) [here](#)).

However it may be argued that a foreign association, once it has been registered (and has successfully opened a bank account in Croatia) is not obliged to carry out any activity in Croatia.

A statutory representative, i.e. a person authorized to represent the foreign association in Croatia must be appointed for the purpose of registration with the Register (Act on Associations, Art. 28. Par. 2.). However, the Act on Associations does not stipulate any restrictions with regards to statutory representation, meaning there are no restrictions on its nationality, residence or its authority to authorize other persons to act for the foreign association.

**ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)**

Apart from the registration with the Register (Act on Associations, Art. 21. Par. 2.), we have not been informed by the banks on any other specific requirement that would differentiate CSOs from other entities with regards to opening a bank account. However, the data on e.g. annual turnover must be provided to the bank when opening the account but the information provided thereby would be subject to further assessment, i.e. it would not automatically disqualify a CSO from opening a bank account.

**iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?**

The statutory representative is authorized to open a bank account by signing the relevant paperwork at the bank. Certain actions may also be taken by a person authorized via e.g. a power of attorney, but these are mostly preparatory actions. The procedure may be initiated online (i.e. the request for opening a bank account may be submitted that way), however, usually the physical presence of a statutory representative is required. As per our experience, there have been some exceptional cases where a bank would allow a company (similar requirements apply to associations, as well) to open the account without the physical presence of a statutory representative, but this was due to COVID-19 pandemics and cannot be relied upon.

**iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?**

The process is rather short and may be done within a few business days from providing the bank with the complete documentation. Usually, it takes up to 7 – 10 business days to have the account opened. As explained above, the statutory representative's physical presence is required to have such representative sign the relevant documents and an interview may be held, depending on the practice of the respective bank.

## 2. BANKING ACTIVITIES

### a. What customer due diligence requirements are in place and what is their impact on civil society organisations' banking activities?

Generally, the banks are obliged to undertake the following due diligence activities: establishing and verifying the identity of the client, establishing the identity of the beneficial owner of the client (if applicable), collecting data on the purpose for which the account will be used, control of transactions per account, etc. (Act on prevention of money laundering and funding on terrorism, Art. 15.; available on the official gazette website (in Croatian only) [here](#)).

This is done (i) when opening an account and (ii) when performing certain transactions per account (Act on prevention of money laundering and funding on terrorism, Art. 17. Par. 1.).

The impact of the above-mentioned on CSO's banking activities is that such activities may lead to a bank not being allowed to have the account opened (Act on prevention of money laundering and funding on terrorism, Art. 19.) or refraining from performing a suspicious transaction (Act on prevention of money laundering and funding on terrorism, Art. 56. Par. 1. and Art. 110. Par. 1. Point 4.).

### b. Which internal principles or official (central bank) "suspicious transaction" monitoring criteria are in place affecting the civil society organisations? Is it publicly available?

Generally, in Croatia, the "suspicious transaction" monitoring criteria will be triggered if:

- a transaction in the amount of EUR 10.000 or higher is made from the account; regardless of whether it is a one-time transaction or several transactions that are obviously interconnected and amount to a total of EUR 10.000 or more (Act on prevention of money laundering and funding on terrorism, Art. 16. Par. 1. Point 2.), or



- notwithstanding any prescribed exemptions and the value of the transaction, whenever there are grounds for suspicion of money laundering or terrorist financing in connection with a transaction or the client (Act on prevention of money laundering and funding on terrorism, Art. 16. Par. 1. Point 6.).

This criterion is publicly available as it is prescribed under the Act on prevention of money laundering and funding on terrorism.

**c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).**

Yes, this includes the jurisdictions / countries that have been identified by credible sources as not having an effective anti-money laundering and anti-terrorist financing system or as having significant levels of corruption or other criminal offenses (such source e.g. the FATF Mutual Assessment Report, available at:

- <https://www.fatf-gafi.org/en/publications/Mutualevaluations/More-about-mutual-evaluations.html>,
- <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2022.html#:~:text=other%20monitored%20jurisdictions-,High%2DRisk%20Jurisdictions%20subject%20to%20a%20Call%20for%20Action%20%E2%80%93%202021,financing%2C%20and%20financing%20of%20proliferation, and>
- [https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20%E2%80%93grey%20list%E2%80%9D\).](https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20%E2%80%93grey%20list%E2%80%9D).)

Also included are countries that are subject to sanctions by the European Union, the United Nations, trade bans or similar measures and countries that finance or support terrorist activities or within which terrorist organizations operate (Act on prevention of money laundering and funding on terrorism, Art. 14. Par. 8. and Bylaws on the procedure for assessing the risk of money laundering and terrorist financing and on the manner of implementing measures of simplified and enhanced in-depth

analysis, Art. 12. Para. 3. Point 2.; the Bylaws available on the official gazette website (in Croatian only) [here](#).

**i. If yes, is the list of jurisdictions publicly available?**

Yes, the list of such jurisdictions is available at Croatian Ministry of Finance [here](#).

**ii. What would be the procedures the bank would follow in this case for their CSO clients?**

Generally, in such cases, the banks would be required to conduct an enhanced in-depth analysis (Act on prevention of money laundering and funding on terrorism, Art. 44. Par. 1. Point 4. and Art. 49.). This means the bank may ask for additional information, e.g. information on the number, value or frequency of expected transactions per account, the destination of funds, verification that the funds used do not originate from criminal activity, etc. (Bylaws on the procedure for assessing the risk of money laundering and terrorist financing and on the manner of implementing measures of simplified and enhanced in-depth analysis, Art. 23. Par. 4.).

As explained above,

- i. if the bank is not provided with this additional information, it should not allow to have the account opened or
- ii. if it deems the intended transaction (i.e. the disposal of money or other property) suspicious, it should refrain from performing such transaction and notify the State AML Office. Generally, the law sets certain criteria to assess whether the transaction may be deemed suspicious (the most common ones detailed above, section 3.b.), however the law also allows the bank to perform such assessment according to its own criteria and findings (Act on prevention of money laundering and funding on terrorism, Art. 16. Par. 1. Point 2. and Art. 56. Par.6.).

### 3. OBLIGATIONS AND REPORTING REQUIREMENTS

**a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?**

In general, there is an obligation for the banks to maintain bank secrecy (Act on Credit Institutions, Art. 156. Par. 1.; available on the official gazette website (in Croatian only) [here](#)). However, in certain cases, banks are required to provide certain information to certain bodies. E.g., banks are obliged to submit data to the Croatian National Bank or the Financial Inspectorate or another supervisory body for the purposes of supervision (Act on Credit Institutions, Art. 157. Par. 3. Point 3.). Also, the banks must provide the necessary information to tax authorities (Tax and Customs Administration) for the purposes within procedures they conduct (Act on Credit Institutions, Art. 157. Par. 3. Point 12.). As well, the banks are required to provide the State AML Office with certain information in connection with a suspicion of money laundering, a related criminal offense or terrorist financing (Act on prevention of money laundering and funding on terrorism, Art. 110. Par. 1. Points 1. and 2.), etc.

**b. What obligations do banks have to protect the privacy of clients' information?**

A bank is obliged to keep secret all data, facts and circumstances that it has learned on the basis of providing services to clients and in conducting business with an individual client (Act on Credit Institutions, Art. 156. Par. 1.). This is a general rule from which there are exceptions, some of which are those listed in the answer above.

**c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?**

There are no specific reporting obligations for banks to inform governments as such on CSO's banking activities.



**d. Are you aware of any change in regulation/practice due to the Russian sanctions?**

There are no banks affected by sanctions against Russia operating on the Croatian market. However, the impact of sanctions is still present as local banks cannot make international payments for their clients to Russian banks via the SWIFT system. Furthermore, Visa and Mastercard cards issued by domestic banks currently cannot be used in Russia.



European Center for  
Not-for-Profit Law

European Center for Not-for-Profit Law Stichting

5 Riviervismarkt, 2513 AM

The Hague, Netherlands

[www.ecnl.org](http://www.ecnl.org)

[twitter.com/enablingNGOlaw](https://twitter.com/enablingNGOlaw)

 **PILnet**

PILnet

199 Water Street, 11th Floor

New York, NY 10038 U.S.A.

<https://www.pilnet.org>

[twitter.com/PILnet](https://twitter.com/PILnet)