



HNB

GVERNER

Pursuant to Article 99, paragraphs (3) and (6) and Article 104, paragraph (3) of the Payment System Act (Official Gazette 66/2018) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

Decision on own funds of payment institutions

I GENERAL PROVISIONS

Subject matter

Article 1

(1) This Decision prescribes:

- 1) the manner of calculation of the amount of own funds of the payment institution;
- 2) the method of calculation of the required minimum amount of own funds of the payment institution;
- 3) accounting data that the payment institution shall report separately in the audited annual financial statements.

(2) The provisions of this Decision shall be applied by payment institutions established in the Republic of Croatia, which have been authorised by the Croatian National Bank to provide payment services.

(3) Paragraph (2) of this Article shall not apply to a payment institution authorised only for the provision of the payment services referred to in Article 4, items (7) and/or (8) of the Payment System Act, or to a payment institution referred to in Article 99, paragraph (5) of the Payment System Act.

Compliance with the legal acts of the European Union

Article 2

This Decision transposes the following act of the European Union into the legal system of the Republic of Croatia: Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (Text with EEA relevance) (OJ L 337, 23.12.2015).

II MANNER OF CALCULATION OF THE AMOUNT OF OWN FUNDS

Manner of calculation of the amount of own funds

Article 3

(1) Own funds shall be funds as defined in Article 4, paragraph (1), item (118) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013), as last amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to

HRVATSKA NARODNA BANKA

Trg hrvatskih velikana 3, HR-10000 Zagreb · T. +385 1 4564 555 · F. +385 1 4610 551

www.hnb.hr

collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (Text with EEA relevance) (OJ L 150, 7.6.2019, hereinafter referred to as 'Regulation (EU) No 575/2013'), where at least 75% of tier 1 capital is in the form of common equity tier 1 capital, as referred to in Article 50 of that Regulation, and tier 2 capital is equal to or less than one third of tier 1 capital.

(2) The following shall be included in the calculation of the amount of own funds referred to in paragraph (1) of this Article:

1) common equity tier 1 items referred to in Article 26, paragraph (1) of Regulation (EU) No 575/2013 after the application of the adjustments required by Articles 32 to 35 of that Regulation, the deductions pursuant to Article 36 of that Regulation and the exemptions and alternatives laid down in Articles 48, 49 and 79 of that Regulation;

2) additional tier 1 items referred to in Article 51 of Regulation (EU) No 575/2013 after the deduction of the items referred to in Article 56 of that Regulation and the application of Article 79 of that Regulation, up to a maximum of one third of tier 1 capital; and

3) tier 2 items referred to in Article 62 of Regulation (EU) No 575/2013 after the deductions referred to in Article 66 and the application of Article 79 of that Regulation, up to a maximum of one third of tier 1 capital.

(3) Where a payment institution belongs to the same group as another payment institution, a credit institution, an investment firm, an asset management company or an insurance company, the payment institution shall not include in the calculation of own funds the holdings of own funds instruments of the above undertakings, except in the case referred to in Article 49, paragraph (2) of Regulation (EU) No 575/2013. In the calculation of own funds, the payment institution shall deduct such holdings from the corresponding element of own funds, except in the case referred to in Article 49, paragraph (2) of Regulation (EU) No 575/2013.

(4) For the purpose of paragraph (3) of this Article, 'group' means the group as defined in Article 3, paragraph (1), item (11) of the Payment System Act (Official Gazette 66/2018).

Inclusion of capital instruments in own funds

Article 4

(1) Capital instruments may be included in the calculation of the amount of own funds, referred to in Article 3, paragraph (1) of this Decision, as:

1) common equity tier 1 instruments if they meet all the conditions referred to in Article 28 of Regulation (EU) No 575/2013;

2) additional tier 1 instruments if they meet all the conditions referred to in Article 52, paragraph (1) of Regulation (EU) No 575/2013; and

3) tier 2 instruments if they meet all the conditions referred to in Article 63 of Regulation (EU) No 575/2013, to the extent laid down in Article 64 of that Regulation.

(2) Before the inclusion of a new capital instrument in the calculation of the amount of own funds, the payment institution shall assess whether the new capital instrument meets the prescribed conditions referred to in paragraph (1) of this Article and provide an explanation of that assessment in writing.

(3) The written explanation of the assessment, referred to in paragraph (2) of this Article, shall at least contain:

- 1) the provisions prescribing the conditions for the own funds instrument (prescribed conditions);
- 2) indications of or references to the corresponding provisions of the contract governing capital instruments or another document relevant for demonstrating the fulfilment of each of the prescribed conditions for the own funds instrument; and
- 3) a reasoned assessment of the payment institution on the fulfilment of each of the prescribed conditions.

(4) The written explanation of the assessment referred to in paragraph (3) of this Article shall be drawn up on the template referred to in Annex 3 to this Decision entitled the "Template for the assessment of the fulfilment of conditions to qualify as common equity tier 1 instruments", Annex 4 to this Decision entitled the "Template for the assessment of the fulfilment of conditions to qualify as additional tier 1 instruments" or Annex 5 to this Decision entitled the "Template for the assessment of the fulfilment of conditions to qualify as tier 2 instruments".

(5) If, following assessment, the payment institution determines that all the prescribed conditions for the inclusion of a certain capital instrument in own funds are met, such a capital instrument may be included in the calculation of the amount of own funds.

(6) The payment institution shall submit the written explanation of the assessment referred to in paragraph (3) of this Article on the appropriate template referred to in paragraph (4) of this Article to the Croatian National Bank within 30 days of the day of inclusion of the new capital instrument in the calculation of the amount of own funds. The payment institution shall, within the same time limit, submit to the Croatian National Bank the completed IPP-RK form referred to in Annex 1 to this Decision as at the day of the increase in own funds by the inclusion of new capital instruments.

III METHOD OF CALCULATION OF THE REQUIRED MINIMUM AMOUNT OF OWN FUNDS

Calculation of the required minimum amount of own funds

Article 5

(1) A payment institution's own funds may never fall below the amount equal to the sum of the following elements multiplied by the scaling factor k:

- 1) 4% of the slice of the payment volume up to HRK 37,500,000.00; plus
- 2) 2.5% of the slice of the payment volume above HRK 37,500,000.00 up to HRK 75,000,000.00; plus
- 3) 1% of the slice of the payment volume above HRK 75,000,000.00 up to HRK 750,000,000.00; plus
- 4) 0.5% of the slice of the payment volume above HRK 750,000,000.00 up to HRK 1,875,000,000.00; plus
- 5) 0.25% of the slice of the payment volume above HRK 1,875,000,000.00.

(2) The payment volume referred to in paragraph (1) of this Article shall represent one twelfth of the total amount of payment transactions executed by the payment institution in the preceding year.

(3) The scaling factor k referred to in paragraph (1) of this Article shall be:

- 1) 0.5 where the payment institution provides only the services listed in Article 4, item (6) of the Payment System Act;
- 2) 1.0 where the payment institution provides any of the services listed in Article 4, items (1) to (5) of the Payment System Act.

(4) The Croatian National Bank may, pursuant to Article 118 of the Payment System Act, based on an evaluation of the risk management process, risk loss data base or internal control mechanisms of the

payment institution, require the payment institution to hold a minimum amount of own funds which is up to 20% higher or lower than the amount calculated in accordance with paragraphs (1) to (3) of this Article.

(5) The payment institution shall submit to the Croatian National Bank once a year, in parallel to the audited annual financial statements referred to in Article 6 of this Decision, the IPP-MRK form, Part B, referred to in Annex 2 to this Decision completed in accordance with the instructions for completion referred to in that Annex.

IV ACCOUNTING DATA THAT THE PAYMENT INSTITUTION SHALL REPORT SEPARATELY IN THE AUDITED ANNUAL FINANCIAL STATEMENTS

Separate reporting of accounting data Article 6

(1) In accordance with Article 104, paragraph (2) of the Payment System Act, a payment institution shall report the accounting data on the amount of own funds and on the required minimum amount of own funds separately in the audited annual financial statements, i.e. in the notes to the financial statements.

(2) In accordance with Article 106 of the Payment System Act, a payment institution shall, during the audit of the annual financial statements, ensure the audit of the report on the amount of own funds, referred to in paragraph (3) of this Article, and the report on the required minimum amount of own funds, referred to in paragraph (4) of this Article.

(3) The payment institution shall report the data on the amount of own funds in the notes to the financial statements in the report on the amount of own funds on the IPP-RK form referred to in Annex 1 to this Decision in accordance with the instructions for completion referred to in that Annex.

(4) The payment institution shall report the data on the required minimum amount of own funds in the notes to the financial statements in the report on the required minimum amount of own funds on the IPP-MRK form, Part A, referred to in Annex 2 to this Decision in accordance with the instructions for completion referred to in that Annex.

(5) The payment institution shall submit the audited reports on the amount of own funds and the required minimum amount of own funds referred to in paragraphs (3) and (4) of this Article in accordance with Article 106, paragraph (2) of the Payment System Act.

(6) In accordance with Article 119, paragraph (4) of the Payment System Act, the Croatian National Bank may request from the payment institution to submit unaudited reports on the amount of own funds on the IPP-RK form referred to in Annex 1 to this Decision, and on the required minimum amount of own funds on the IPP-MRK form referred to in Annex 2 to this Decision, on any other day within the time limit and in the manner determined by the Croatian National Bank.

Manner of submitting reports Article 7

(1) The payment institution shall submit to the Croatian National Bank the audited annual financial statements on paper, and the forms from the notes to the financial statements referred to in Article 6, paragraphs (3) and (4) of this Decision also electronically in the form of an Excel document.

(2) The payment institution shall submit to the Croatian National Bank the IPP-MRK form, Part B, referred to in Annex 2 to this Decision exclusively electronically in the form of an Excel document.

V TRANSITIONAL AND FINAL PROVISIONS

Conducting the first compliance assessment of capital instruments

Article 8

The payment institution shall conduct the compliance assessment, referred to in Article 4, paragraph (2) of this Decision, of the existing capital instruments that are included in own funds as at 31 December 2019 on the templates referred to in Article 4, paragraph (4) of this Decision and notify the Croatian National Bank about the assessment results and submit the prescribed assessment templates within the time limit referred to in Article 106, paragraph (2) of the Payment System Act.

Expiry

Article 9

On the date of the entry into force of this Decision, the Decision on own funds of payment institutions (Official Gazette 73/2018) shall cease to have effect.

Entry into force

Article 10

This Decision shall be published in the Official Gazette and shall enter into force on 31 December 2019. It shall start to be applied to reports prepared for 2019.

No. 332-020/12-19/BV
Zagreb, 20 December 2019

Governor
Boris Vujčić

ANNEX 1

REPORT ON THE AMOUNT OF OWN FUNDS OF PAYMENT INSTITUTIONS

This Annex contains the IPP-RK form used for the preparation of the report on the amount of own funds of payment institutions (hereinafter referred to as 'institution' or 'institutions') referred to in Article 6,

paragraph (3) of the Decision on own funds of payment institutions and instructions for the completion and submission of the IPP-RK form. This Annex is an integral part of the Decision on own funds of payment institutions.

1 INSTRUCTIONS FOR COMPLETION OF IPP-RK FORM

1.1 In the heading of the IPP-RK form (hereinafter referred to as 'the form'), the following data are given:

"Name of payment institution" – enter the name of the payment institution;

"OIB of the payment institution" – enter the personal identification number assigned to the payment institution by the Ministry of Finance pursuant to the Act on the Personal Identification Number;

"Date" – enter 31 December of the year to which the data in the form relate using the 31/12/yyyy format.

1.2 All monetary amounts are reported in their full amount (kuna and lipa). If a payment institution does not have data for certain elements of own funds, it shall complete the respective fields with zeros.

1.3 A payment institution submits the report in the paper format referred to in Article 7 of this Decision to the following address:

Hrvatska narodna banka
Sektor bonitetne supervizije
p. p. 603
10002 Zagreb

A payment institution submits the forms sent electronically in the form of an Excel document to the following e-address supervizijaIPP@hnb.hr.

PART A – Calculation of own funds

Presented below are the instructions for reporting individual positions in the IPP-RK form, Part A.

1) *Own funds*

Report the amount of own funds in accordance with Article 4, paragraph (1), item (118) and Article 72 of Regulation (EU) No 575/2013.

The own funds of an institution consist of the sum of its tier 1 capital and tier 2 capital.

Report the sum of the amounts in columns 2 and 32.

2) *Tier 1 capital*

Report the amount of tier 1 capital in accordance with Article 25 of Regulation (EU) No 575/2013. The tier 1 capital is the sum of the common equity tier 1 capital and additional tier 1 capital. Report the sum of the amounts in rows 3 and 22 in this field.

3) *Common equity tier 1 capital*

Report the amount of common equity tier 1 capital in accordance with Article 50 of Regulation (EU) No 575/2013.

Report the sum of the amounts in rows 4 to 21 of this form.

4) *Capital instruments eligible as common equity tier 1 capital*

Report the amount in accordance with Article 26, paragraph (1), item (a), Article 28 and Article 30 of Regulation (EU) No 575/2013.

Do not include the share premium related to the capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013.

5) Share premium

Report the amount in accordance with Article 4, paragraph (1), item (124) and Article 26, paragraph (1), item (b) of Regulation (EU) No 575/2013.

'Share premium' has the same meaning as under the applicable accounting standard. The amount to be reported under this item is the part that relates to the capital instruments referred to in row 4.

6) (–) Direct, indirect and synthetic holdings of own common equity tier 1 instruments

Report the amount in accordance with Article 4, paragraph (1), items (114) and (126), Article 36, paragraph (1), item (f) and Article 42 of Regulation (EU) No 575/2013.

Report own common equity tier 1 instruments held by the institution reporting on the reporting date. Subject to the exceptions referred to in Article 42 of Regulation (EU) No 575/2013. The amount to be reported includes the share premium related to own shares.

In accordance with Article 36, paragraph (1), item (f) of Regulation (EU) No 575/2013, own common equity tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation are also deducted from the common equity tier 1 capital.

The field is completed as a negative amount, i.e. with the (–) sign.

7) Retained earnings or (–) losses brought forward

Report the amount in accordance with Article 4, paragraph (1), item (123) and Article 26, paragraph (1), item (c) of Regulation (EU) No 575/2013.

This field includes the previous years' retained earnings or losses brought forward.

The amount of the losses brought forward is entered as a negative amount, i.e. with the (–) sign.

8) (–) Losses for the current year

Report the amount in accordance with Article 36, paragraph (1), item (a) of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

9) Accumulated other comprehensive income

Report the amount in accordance with Article 4, paragraph (1), item (100) and Article 26, paragraph (1), item (d) of Regulation (EU) No 575/2013.

The amount to be reported should be deducted by any tax charge foreseeable at the moment of its calculation and prior to the application of prudential filters. The amount to be reported is determined in accordance with Article 13, paragraph (4) of Commission Delegated Regulation (EU) No 241/2014.

10) Other reserves

Report the amount in accordance with Article 4, paragraph (1), item (117) and Article 26, paragraph (1), item (e) of Regulation (EU) No 575/2013. 'Other reserves' are defined as reserves within the meaning of the applicable accounting framework that are required to be disclosed under the applicable accounting standard, excluding any amounts already included in accumulated other comprehensive income or retained earnings. The amount to be reported does not include any tax charge foreseeable at the moment of its calculation.

11) (+)/(-) Adjustments to common equity tier 1 capital due to prudential filters

Report the amount in accordance with Articles 32 to 35 of Regulation (EU) No 575/2013, and include any increase in equity that results from securitised assets, reserves on cash flow hedges and fair value gains or losses arising from the institution's own credit risk related to derivative liabilities.

The amount to be reported may be either positive or negative. If negative, report with sign (–).

The amounts do not include any tax charge foreseeable at the moment of its calculation.

12) (–) Intangible assets

Report the amount in accordance with Article 4, paragraph (1), items (113) and (115), Article 36, paragraph (1), item (b) and Article 37 of Regulation (EU) No 575/2013. 'Intangible assets' are intangible assets in accordance with the applicable accounting standard and include goodwill, also calculated in accordance with the applicable accounting standard.

The field shall be completed as a negative amount, i.e. with the (–) sign.

13) (–) Deferred tax assets that rely on future profitability and do not arise from temporary differences and do not include associated tax liabilities

Report the amount in accordance with Article 36, paragraph (1), item (c) and Article 38 of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

14) (–) Defined benefit pension fund assets

Report the amount in accordance with Article 4, paragraph (1), item (109), Article 36, paragraph (1), item (e) and Article 41 of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

15) (–) Reciprocal cross holdings in common equity tier 1 capital

Report the amount in accordance with Article 4, paragraph (1), item (122), Article 36, paragraph (1), item (g) and Article 44 of Regulation (EU) No 575/2013. Report holdings in common equity tier 1 instruments issued by financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where there is a reciprocal cross holding that the competent authority considers to have been designed to inflate artificially the own funds of the institution. The amount to be reported is calculated on the basis of gross long positions and includes tier 1 own-fund insurance items.

The field is completed as a negative amount, i.e. with the (–) sign.

16) (–) Deduction from additional tier 1 items that exceeds the additional tier 1 capital

Report the amount in accordance with Article 36, paragraph (1), item (j) of Regulation (EU) No 575/2013. The amount to be reported is taken directly from this form from the field under number 30 "Deduction from additional tier 1 items that exceeds the additional tier 1 capital (deducted in the common equity tier 1 capital)".

The amount should be deducted from the common equity tier 1 capital.

The field is completed as a negative amount, i.e. with the (–) sign.

17) (–) Common equity tier 1 instruments of financial sector entities where the institution does not have a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 36, paragraph (1), item (h), Articles 43 to 46, Article 49, paragraphs (2) and (3) and Article 79 of Regulation (EU) No 575/2013. In this field, report the portion of an institution's holdings of instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution does

not have a significant investment that is required to be deducted from common equity tier 1 capital. See alternatives to deduction where an institution belongs to the group subject to supervision on a consolidated basis (Article 49, paragraphs (2) and (3) of the Regulation).

The field is completed as a negative amount, i.e. with the (–) sign.

18) (–) Deferred tax assets that can be deducted and that rely on future profitability and arise from temporary differences

Report the amount in accordance with Article 36, paragraph (1), item (c), Article 38 and Article 48, paragraph (1), item (a) of Regulation (EU) No 575/2013. Report the portion of deferred tax assets that rely on future profitability and arise from temporary differences (without the portion of the associated deferred tax liabilities allocated to deferred tax assets that arise from temporary differences in accordance with Article 38, paragraph (5), item (b) of Regulation (EU) No 575/2013) required to be deducted subject to the threshold of 10%, referred to in Article 48, paragraph (1), item (a) of Regulation (EU) No 575/2013. The field is completed as a negative amount, i.e. with the (–) sign.

19) (–) Common equity tier 1 instruments of financial sector entities where the institution has a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 36, paragraph (1), item (i), Articles 43, 45 and 47, Article 48, paragraph (1), item (b), Article 49, paragraphs (1) to (3) and Article 79 of Regulation (EU) No 575/2013. Report the portion of the institution's holdings of common equity tier 1 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution has a significant investment required to be deducted subject to the threshold of 10%, referred to in Article 48, paragraph (1), item (b) of Regulation (EU) No 575/2013. See alternatives to deduction where an institution belongs to the group subject to supervision on a consolidated basis (Article 49, paragraphs (2) and (3) of the Regulation).

In this field, also report the amount of the payment institution's holdings of common equity tier 1 capital of other undertakings from the group to which the payment institution also belongs, as prescribed by Article 3, paragraph (3) of this Decision.

The field is completed as a negative amount, i.e. with the (–) sign.

20) (–) Amount exceeding the threshold of 17.65%

Report the amount in accordance with Article 48 paragraph (1) of Regulation (EU) No 575/2013, i.e. the portion of deferred tax assets that are dependent on future profitability and arise from temporary differences and direct and indirect holdings by an institution of the common equity tier 1 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution has a significant investment required to be deducted subject to the threshold of 17.65%, referred to in Article 48, paragraph (1) of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

21) Elements of or deductions from common equity tier 1 capital – other

This row has been designed to ensure flexibility, exclusively for the purposes of reporting. To be completed only in rare cases when there is no final decision on reporting specific items of/deductions from the capital in the existing IPP-RK form. Consequently, this row is to be completed only if the element of the common equity tier 1 capital related to the deduction from the element of the common equity tier 1 capital cannot be assigned to one of the rows 4 to 20.

22) Additional tier 1 capital

Report the amount in accordance with Article 61 of Regulation (EU) No 575/2013.

Report the sum of the amounts in rows 23 to 31 of this form.

23) Capital instruments eligible as additional tier 1 capital

Report the amount in accordance with Article 51, item (a) and Articles 52 to 54 of Regulation (EU) No 575/2013.

The amount to be reported does not include the share premium related to capital instruments.

24) Share premium

Report the amount in accordance with Article 51, item (b) of Regulation (EU) No 575/2013. 'Share premium' has the same meaning as under the applicable accounting standard. The amount to be reported under this item is the part that relates to the capital instruments reported under number 23.

25) (–) Direct, indirect and synthetic holdings of own additional tier 1 instruments

Report the amount in accordance with Article 52, paragraph (1), item (b), Article 56, item (a) and Article 57 of Regulation (EU) No 575/2013.

Report own additional tier 1 instruments held by the institution reporting on the reporting date. Subject to the exceptions referred to in Article 57 of Regulation (EU) No 575/2013. The amount required to be reported includes the share premium related to own shares. Actual or contingent obligations to purchase own additional tier 1 instruments are also reported in this item in accordance with Article 56, item (a) of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

26) (–) Reciprocal cross holdings in additional tier 1 capital

Report the amount in accordance with Article 4, paragraph (1), item (122), Article 56, item (b) and Article 58 of Regulation (EU) No 575/2013. Report holdings of additional tier 1 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where there is a reciprocal cross holding that the competent authority considers to have been designed to inflate artificially the own funds of the institution. The amount to be reported is calculated on the basis of gross long positions and includes additional tier 1 own-fund insurance items.

The field is completed as a negative amount, i.e. with the (–) sign.

27) (–) Additional tier 1 instruments of financial sector entities where the institution does not have a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 56, item (c) and Articles 59, 60 and 79 of Regulation (EU) No 575/2013. Report the portion of an institution's holdings of instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution does not have a significant investment that is required to be deducted from additional tier 1 capital.

The field is completed as a negative amount, i.e. with the (–) sign.

28) (–) Additional tier 1 instruments of financial sector entities where the institution has a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 56, item (d), Article 59 and Article 79 of Regulation (EU) No 575/2013. Report the institution's holdings of additional tier 1 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution has a significant investment that is required to be fully deducted.

In this field, also report the amount of the payment institution's holdings of additional tier 1 capital of other undertakings from the group to which the payment institution also belongs, as prescribed by Article 3, paragraph (3) of the Decision (Manner of calculation of own funds).

The field is completed as a negative amount, i.e. with the (–) sign.

29) (–) Deduction from tier 2 items that exceeds the tier 2 capital

Report the amount in accordance with Article 56, item (e) of Regulation (EU) No 575/2013. The amount that is required to be reported is taken directly from row 39 of this form "Deduction from tier 2 items that exceeds tier 2 capital (deducted in the additional tier 1 capital)".

The field is completed as a negative amount, i.e. with the (–) sign.

30) Deduction from additional tier 1 items that exceeds the additional tier 1 capital (deducted in the common equity tier 1 capital)

Report the amount in accordance with Article 36, paragraph (1), item (j) of Regulation (EU) No 575/2013. Additional tier 1 capital cannot be negative, but the deductions of the additional tier 1 capital can be higher than the additional tier 1 capital plus the related share premium. If this occurs, the additional tier 1 capital must be equal to zero, and the excess deductions from the additional tier 1 capital must be deducted from the common equity tier 1 capital. This item ensures that the sum of the amounts in rows 23 to 31 of this form is never less than zero. Where this item shows a positive value, then the amount in row 16 of this form has the value of the opposite sign.

31) Elements of or deductions from additional tier 1 capital – other

This row has been designed to ensure flexibility, exclusively for the purposes of reporting. To be completed only in rare cases when there is no final decision on reporting specific items of/deductions from the capital in the existing IPP-RK form. Consequently, this row is to be completed only if the element of the additional tier 1 capital related to the deduction of the element of the additional tier 1 capital cannot be assigned to one of the rows 23 to 30.

32) Tier 2 capital

Report the amount in accordance with Article 71 of Regulation (EU) No 575/2013.

Report the sum of the amounts in rows 33 to 40 of this form.

33) Capital instruments eligible as tier 2 capital

Report the amount in accordance with Article 62, item (a), Article 63, within the scope laid down in Article 64 of Regulation (EU) No 575/2013, and Article 65 of Regulation (EU) No 575/2013. The amount to be reported does not include the share premium related to these instruments.

34) Share premium

Report the amount in accordance with Article 62, item (b) and Article 65 of Regulation (EU) No 575/2013. 'Share premium' has the same meaning as under the applicable accounting standard. The amount to be reported under this item is the part that relates to the capital instruments referred to in row 33 of this form.

35) (–) Direct, indirect and synthetic holdings of own tier 2 instruments

Report the amount in accordance with Article 63, item (b), sub-item (i), Article 66, item (a) and Article 67 of Regulation (EU) No 575/2013. Report own tier 2 instruments held by the institution reporting on the reporting date. Subject to the exceptions referred to in Article 67 of Regulation (EU) No 575/2013. The amount required to be reported includes the share premium related to own shares. Actual or contingent obligations to purchase own tier 2 instruments are also reported in this item in accordance with Article 66, item (a) of Regulation (EU) No 575/2013.

The field is completed as a negative amount, i.e. with the (–) sign.

36) (–) Reciprocal cross holdings in tier 2 capital

Report the amount in accordance with Article 4, paragraph (1), item (122), Article 66, item (b) and Article 68 of Regulation (EU) No 575/2013. Report holdings of tier 2 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where there is a reciprocal

cross holding that the competent authority considers to have been designed to inflate artificially the own funds of the institution.

The amount to be reported is calculated on the basis of gross long positions and includes tier 2 and tier 3 own-fund insurance items.

The field is completed as a negative amount, i.e. with the (–) sign.

37) (–) Tier 2 instruments of financial sector entities where the institution does not have a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 66, item (c) and Articles 69, 70 and 79 of Regulation (EU) No 575/2013. Report the portion of an institution's holdings of instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution does not have a significant investment that is required to be deducted from tier 2 capital.

The field is completed as a negative amount, i.e. with the (–) sign.

38) (–) Tier 2 instruments of financial sector entities where the institution has a significant investment

Report the amount in accordance with Article 4, paragraph (1), item (27), Article 66, item (d), Article 69 and Article 79 of Regulation (EU) No 575/2013. Report the amount of the institution's holdings of tier 2 instruments of financial sector entities (as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013) where the institution has a significant investment that is required to be fully deducted.

The field is completed as a negative amount, i.e. with the (–) sign.

39) Deduction from tier 2 items that exceeds the tier 2 capital (deducted in the additional tier 1 capital)

Report the amount in accordance with Article 56, item (e) of Regulation (EU) No 575/2013. Tier 2 capital cannot be negative, but the deductions of the tier 2 capital can be higher than the tier 2 capital plus the related share premium. If this occurs, the tier 2 capital is equal to zero, and the excess deductions from the tier 2 capital are deducted from the additional tier 1 capital. This item ensures that the sum of the items in rows 33 to 40 of this form is never less than zero. Where this item shows a positive value, the item in row 29 has the value of the opposite sign.

40) Elements of or deductions from tier 2 capital – other

This row has been designed to ensure flexibility, exclusively for the purposes of reporting. To be completed only in rare cases when there is no final decision on reporting specific items of/deductions from the capital in the existing IPP-RK form. Consequently, this row is to be completed only if the element of the tier 2 capital related to the deduction from the element of the tier 2 capital cannot be assigned to one of the rows 33 to 39.

41) Notes

42) Profit for the current year – Report the amount of the profit for the current year for which there is still no decision of the general meeting, i.e. the decision of the general meeting on the allocation and it is not included in the common equity tier 1 capital.

PART B – Determining the capital available for the calculation of the amount of own funds

Presented below are the instructions for reporting the individual positions of the IPP-RK form, Part B.

1) Common equity tier 1 capital

In columns 1 and 2, report the total amount of common equity tier 1 capital shown in row 3 in Part A of this form.

2) Additional tier 1 capital

In column 1, report the total amount of additional tier 1 capital shown in row 22 in Part A of this form.
In column 2, report the portion of the amount of additional tier 1 capital in column 1, up to a maximum of one third of the common equity tier 1 capital.
In column 3, report the difference between the amounts in columns 1 and 2 if the amount of the difference is positive.

3) Tier 1 capital

In column 1, report the total amount of tier 1 capital shown in row 2 in Part A of this form.
In column 2, report the amount of tier 1 capital consisting of common equity tier 1 capital and additional tier 1 capital in column 2 of this part of the form, provided that the condition is met that at least 75% of tier 1 capital is in the form of common equity tier 1 capital.

4) Tier 2 capital

In column 1, report the total amount of tier 2 capital shown in row 32 in Part A of this form.
In column 2, report the portion of the amount of tier 2 capital in column 1 that is equal to or less than one third of tier 1 capital in column 2 of this part of the form.
In column 3, report the difference between the amounts in columns 1 and 2 if the amount of the difference is positive.

5) Total own funds

In column 2, report the sum of the amounts of tier 1 capital and the amount of tier 2 capital shown in column 2 of this part of the form.

2 REPORT ON THE AMOUNT OF OWN FUNDS OF PAYMENT INSTITUTIONS – IPP-RK FORM

Name of payment institution:

OIB of payment institution:

Date:

IPP-RK: Part A – Calculation of own funds

No	Name	Amount
1	OWN FUNDS	
2	TIER 1 CAPITAL	
3	COMMON EQUITY TIER 1 CAPITAL	
4	Capital instruments recognised as common equity tier 1 capital	
5	Share premium	
6	(–) Direct, indirect and synthetic holdings of own common equity tier 1 instruments	
7	Retained earnings or (–) losses brought forward	
8	(–) Losses for the current year	
9	Accumulated other comprehensive income	
10	Other reserves	
11	(+)/(–) Adjustments to common equity tier 1 capital due to prudential filters	
12	(–) Intangible assets	
13	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences and do not include associated tax liabilities	
14	(–) Defined benefit pension fund assets	
15	(–) Reciprocal cross holdings of common equity tier 1 capital	
16	(–) Deduction from additional tier 1 items that exceeds the additional tier 1 capital	
17	(–) Common equity tier 1 instruments of financial sector entities where the institution does not have a significant investment	
18	(–) Deferred tax assets that can be deducted and that rely on future profitability and arise from temporary differences	
19	(–) Common equity tier 1 instruments of financial sector entities where the institution has a significant investment	
20	(–) Amount exceeding the threshold of 17.65%	
21	Elements of or deductions from common equity tier 1 capital – other	
22	ADDITIONAL TIER 1 CAPITAL	



23	Capital instruments recognised as additional tier 1 capital	
24	Share premium	
25	(–) Direct, indirect and synthetic holdings of own additional tier 1 instruments	
26	(–) Reciprocal cross holdings of additional tier 1 capital	
27	(–) Additional tier 1 instruments of financial sector entities where the institution does not have a significant investment	
28	(–) Additional tier 1 instruments of financial sector entities where the institution has a significant investment	
29	(–) Deduction from tier 2 items that exceeds the tier 2 capital	
30	Deduction from additional tier 1 items that exceeds the additional tier 1 capital (deducted in the common equity tier 1 capital)	
31	Elements of or deductions from additional tier 1 capital – other	
32	TIER 2 CAPITAL	
33	Capital instruments recognised as tier 2 capital	
34	Share premium	
35	(–) Direct, indirect and synthetic holdings of own tier 2 instruments	
36	(–) Reciprocal cross holdings of tier 2 capital	
37	(–) Tier 2 instruments of financial sector entities where the institution does not have a significant investment	
38	(–) Tier 2 instruments of financial sector entities where the institution has a significant investment	
39	Deduction from tier 2 items that exceeds the tier 2 capital (deducted in the additional tier 1 capital)	
40	Elements of or deductions from tier 2 capital – other	
41	Notes	
42	Profit for the year	

IPP-RK: PART B – Determining the capital available for the calculation of the amount of own funds

No	Item	Total amount	Capital available for the calculation of own funds	Surplus
		1	2	3
1	Common equity tier 1 capital			
2	Additional tier 1 capital			
3	Tier 1 capital			
4	Tier 2 capital			
5	Total own funds			

ANNEX 2

REPORT ON THE REQUIRED MINIMUM AMOUNT OF OWN FUNDS OF PAYMENT INSTITUTIONS

This Annex contains the IPP-MRK form used for the preparation of the report on the required minimum amount of own funds of payment institutions (hereinafter referred to as 'institution' or 'institutions') referred to in Article 5, paragraph (5) and Article 6, paragraph (4) of the Decision on own funds of payment institutions and instructions for the completion and submission of the IPP-MRK form. This Annex is an integral part of the Decision on own funds of payment institutions.

1 INSTRUCTIONS FOR COMPLETION OF IPP-MRK FORM

1.1 In the heading of the form the following data are given:

"Name of payment institution" – enter the name of the payment institution;

"OIB of the payment institution" – enter the personal identification number assigned to the payment institution by the Ministry of Finance pursuant to the Act on the Personal Identification Number;

"Date" – enter 31 December of the year to which the data in the form relate using the 31/12/yyyy format.

1.2 All monetary amounts are reported in their full amount (kuna and lipa). If a payment institution does not have data for certain elements of the report, it shall complete the respective fields with zeros.

1.3 A payment institution submits the report in the paper format referred to in Article 7 of this Decision to the following address:

Hrvatska narodna banka
Sektor bonitetne supervizije
p. p. 603
10002 Zagreb

A payment institution submits the forms sent electronically in the form of an Excel document to the following e-address supervizijaIPP@hnb.hr.

PART A – Required minimum amount of own funds for the business activity of payment service provision

Presented below are the instructions for the individual rows of the IPP-MRK form, Part A.

1) Total amount of payment transactions in the preceding year

In row 1, report the data on the total amount of payment transactions executed by the payment institution in the preceding year. For example, for the form prepared on 31 December 2019, present here the payment transactions executed in the period from 1 January 2018 to 31 December 2018.

2) Payment volume

In row 2, report the data on the amount of the payment volume, which in accordance with Article 5, paragraph (2) of this Decision represents one twelfth of the total amount of payment transactions (row 1 of this part of the form) executed by the payment institution in the preceding year.

3) Sum of the amounts in rows 4 to 8

In row 3, report the amount obtained by summing up the amounts reported in rows 4 to 8 of this form.

4) 4% of the slice of the payment volume up to HRK 37,500,000.00

In row 4, report the data on the amount that represents 4% of the slice of the payment volume up to HRK 37,500,000.00.

5) 2.5% of the slice of the payment volume above HRK 37,500,000.00 up to HRK 75,000,000.00

In row 5, report the data on the amount that represents 2.5% of the slice of the payment volume above HRK 37,500,000.00 up to HRK 75,000,000.00.

6) 1% of the slice of the payment volume above HRK 75,000,000.00 up to HRK 750,000,000.00

In row 6, report the data on the amount that represents 1% of the slice of the payment volume above HRK 75,000,000.00 up to HRK 750,000,000.00.

7) 0.5% of the slice of the payment volume above HRK 750,000,000.00 up to HRK 1,875,000,000.00

In row 7, report the data on the amount that represents 0.5% of the slice of the payment volume above HRK 750,000,000.00 up to HRK 1,875,000,000.00.

8) 0.25% of the slice of the payment volume above HRK 1,875,000,000.00

In row 8, report the data on the amount that represents 0.25% of the slice of the payment volume up to HRK 1,875,000,000.00.

9) Amount of the scaling factor k

In row 9, report the data on the amount of the scaling factor k that in accordance with Article 5, paragraph (3) of this Decision shall be:

– 0.5 where the payment institution provides only the services listed in Article 4, item (6) of the Payment System Act;

– 1.0 where the payment institution provides any of the services listed in Article 4, items (1) to (5) of the Payment System Act.

10) Required minimum amount of own funds for the business activity of payment service provision

In row 10, report the data on the required minimum amount of own funds for the business activity of payment service provision that, in accordance with Article 5, paragraph (1) of this Decision, is calculated by multiplying the scaling factor k (reported in row 9 of this form) and the sum of the amounts from items 4 to 8 (reported in row 3 of this form).

PART B – Coverage of the requirement for the required minimum amount of own funds

Presented below are the instructions for the individual rows of the IPP-MRK form, Part B.

1) Required minimum amount of own funds for the business activity of payment service provision

In column 1, report the data on the amount of the requirement for the required minimum amount of own funds for the business activity of payment service provision from Part A of this form (reported in row 10).

In column 2, show the portion of total own funds from the IPP-RK form, Part B (row 5, column 2), which serves as coverage for capital requirements for the business activity of payment service provision. The amount reported in this field cannot exceed the amount in column 1 of this row and cannot be negative.

2) Initial capital taking into account the type of payment service provided by the institution

In column 1, report the data on the amount of the initial capital requirement in accordance with Article 82 of the Payment System Act.

In column 2, show the portion of total own funds from the IPP-RK form, Part B (row 5, column 2), which serves as coverage for the institution's initial capital requirement. The amount reported in this field cannot exceed the amount in column 1 of this part of the form and cannot be negative.

3) Institution's total required minimum amount of own funds

In column 1, report the data on the amount of the institution's required minimum amount of own funds that represents the amount in row 1 or row 2 of this part of the form, whichever is the higher.

In column 2, report the data on the institution's own funds, i.e. the amount in row 1 or row 2 of this part of the form, whichever is the higher.

4) Total own funds

In column 2, report the amount of total own funds from the IPP-RK form, Part B (row 5, column 2).

5) Surplus/(–) deficit of own funds

In column 2, report the amount of the difference between the amount in row 4 from this part of the form and the amount in row 3, column 1 from this part of the form. In other words, show here the difference between the institution's total own funds and the amount of the capital required for the coverage of the requirements for the total required minimum capital of the institution. If the amount of the difference is positive, the institution disposes with own funds surplus, and in this case this field is completed as a positive amount. If the amount of the difference is negative, the institution does not have sufficient own funds for the coverage of all of the prescribed capital requirements, and in this case this field is completed as a negative amount, i.e. with a (–) sign.

2 REPORT ON THE REQUIRED MINIMUM AMOUNT OF OWN FUNDS OF PAYMENT INSTITUTIONS – IPP-MRK FORM

Name of payment institution:

OIB of payment institution:

Date:

IPP-MRK: Part A – Required minimum amount of own funds for the business activity of payment service provision

No	Name	Amount
1	Total amount of payment transactions in the preceding year	
2	Payment volume	
3	Sum of the amounts in items 4 to 8	
4	4% of the slice of the payment volume up to HRK 37,500,000.00	
5	2.5% of the slice of the payment volume above HRK 37,500,000.00 up to HRK 75,000,000.00	
6	1% of the slice of the payment volume above HRK 75,000,000.00 up to HRK 750,000,000.00	
7	0.5% of the slice of the payment volume above HRK 750,000,000.00 up to HRK 1,875,000,000.00	
8	0.25% of the slice of the payment volume above HRK 1,875,000,000.00	
9	Amount of the scaling factor k	
10	Required minimum amount of own funds for the business activity of payment service provision	

IPP-MRK: Part B – Coverage of the requirement for the required minimum amount of own funds

No	Name	Amount of requirement	Coverage by own funds
		1	2
1	Required minimum amount of own funds for the business activity of payment service provision		
2	Initial capital taking into account the type of payment service provided by the institution		
3	Institution's total required minimum amount of own funds		
4	Total own funds		
5	Surplus/(-) deficit of own funds		

ANNEX 3
**TEMPLATE FOR THE
ASSESSMENT OF THE FULFILMENT OF CONDITIONS TO QUALIFY AS COMMON EQUITY
TIER 1 INSTRUMENTS**

This Annex is an integral part of the Decision on own funds of payment institutions.

A payment institution is required, in the Template for the assessment of the fulfilment of conditions to qualify as common equity tier 1 instruments, to assess the compliance of the common equity tier 1 instruments at least with the conditions prescribed by the following provisions:

- Article 28 of Regulation (EU) No 575/2013 (conditions for instruments);
- Articles 7a – 7d of Commission Delegated Regulation (EU) No 241/2014 (conditions for distributions on instruments); and
- Articles 8 and 9 of Commission Delegated Regulation (EU) No 241/2014 (indirect funding).

Template for the assessment of the fulfilment of conditions to qualify as common equity tier 1 instruments		
<i>(name of instrument)</i>		
<i>(number and indication of the provision prescribing each condition for the individual capital instrument)</i>	<i>(indication of and reference to the corresponding provision of the contract governing the capital instrument or another appropriate document relevant for demonstrating the fulfilment of each of the prescribed conditions for the capital instrument)</i>	<i>(reasoned assessment of the fulfilment of each of the prescribed conditions)</i>
Article 28, paragraph (1) of Regulation (EU) No 575/2013		
(a) the instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law, the management body of the institution		
(b) the instruments are fully paid up and their purchase is not funded directly or indirectly by the institution. Only the fully paid-up part of a capital instrument shall be eligible as the common equity tier 1 instrument		

(related provisions of Articles 8 and 9 of Commission Delegated Regulation (EU) No 241/2014)		
(c) the instruments meet all the following conditions as regards their classification:		
(i) they qualify as capital within the meaning of Article 22 of Directive 86/635/EEC		
(ii) they are classified as equity within the meaning of the applicable accounting framework		
(iii) they are classified as equity capital for the purposes of determining balance sheet insolvency, where applicable under national insolvency law		
(d) the instruments are clearly and separately disclosed on the balance sheet in the financial statements of the institution		
(e) the instruments are perpetual		
(f) the principal amount of the instruments may not be reduced or repaid, except in either of the following cases:		
(i) the liquidation of the institution		
(ii) discretionary repurchases of the instruments or other discretionary means of reducing capital, where one of the conditions referred to in Article 78, paragraph (1), items (a) or (b) of Regulation (EU) No 575/2013 is fulfilled		
(g) the provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would or might be reduced or repaid other than in the liquidation of the institution, and the institution does not otherwise provide such an indication prior to or at issuance of the instruments, where the refusal by the institution to redeem such instruments is prohibited under applicable national law		
(h) the instruments meet the following conditions as regards distributions:		
(i) there is no preferential distribution treatment regarding the order of distribution payments, including in relation to other common equity tier 1		



instruments, and the terms governing the instruments do not provide preferential rights to payment of distributions		
(related provisions of Articles 7a to 7d of Commission Delegated Regulation (EU) No 241/2014)		
(ii) distributions to holders of the instruments may be paid only out of distributable items		
(iii) the conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions		
(iv) the level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance		
(v) the conditions governing the instruments do not include any obligation for the institution to make distributions to their holders and the institution is not otherwise subject to such an obligation		
(vi) non-payment of distributions does not constitute an event of default of the institution		
(vii) the cancellation of distributions imposes no restrictions on the institution		
(i) compared to all the capital instruments issued by the institution, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other common equity tier 1 instruments		
(j) the instruments rank below all other claims in the event of insolvency or liquidation of the institution		
(k) the instruments entitle their owners to a claim on the residual assets of the institution, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap		
(l) the instruments are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following:		
(i) the institution or its subsidiaries		



(ii) the parent undertaking of the institution or its subsidiaries		
(iii) the parent financial holding company or its subsidiaries		
(iv) the mixed activity holding company or its subsidiaries		
(v) the mixed financial holding company or its subsidiaries		
(vi) any undertaking that has close links with the entities referred to in points (i) to (v) of this item		
(m) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation		

ANNEX 4
**TEMPLATE FOR THE
ASSESSMENT OF THE FULFILMENT OF CONDITIONS TO QUALIFY AS ADDITIONAL TIER
1 INSTRUMENTS**

This Annex is an integral part of the Decision on own funds of payment institutions.

A payment institution (hereinafter referred to as 'institution') is required, in the Template for the assessment of the fulfilment of conditions to qualify as additional tier 1 instruments, to assess the compliance of the additional tier 1 instruments at least with the conditions prescribed by the following provisions:

- Articles 52 to 54 of Regulation (EU) No 575/2013 (conditions for instruments); and
- Articles 8, 9 and 20 of Commission Delegated Regulation (EU) No 241/2014 (indirect funding and incentives to redeem).

Template for the assessment of the fulfilment of conditions to qualify as additional tier 1 capital instruments		
<i>(name of instrument)</i>		
<i>(number and indication of the provision prescribing each condition for the individual capital instrument)</i>	<i>(indication of and reference to the corresponding provision of the contract governing the capital instrument or another appropriate document relevant for demonstrating the fulfilment of each of the prescribed conditions for the capital instrument)</i>	<i>(reasoned assessment of the fulfilment of each of the prescribed conditions)</i>
Article 52, paragraph (1) of Regulation (EU) No 575/2013		
(a) the instruments are issued directly by the institution and they are fully paid up; Only the fully paid-up part of a capital instrument shall be eligible as the additional tier 1 instrument.		
(b) the instruments are not owned by any of the following persons:		
(i) the institution or its subsidiaries		
(ii) an undertaking in which the institution has a participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking		

(c) the acquisition of ownership is not funded directly or indirectly by the institution		
(related provisions of Articles 8 and 9 of Commission Delegated Regulation (EU) No 241/2014)		
(d) the instruments rank below tier 2 instruments in the event of the insolvency of the institution		
(e) the instruments are not secured, or subject to a guarantee that enhances the seniority of the claims by any of the following:		
(i) the institution or its subsidiaries		
(ii) the parent undertaking of the institution or its subsidiaries		
(iii) the parent financial holding company or its subsidiaries		
(iv) the mixed activity holding company or its subsidiaries		
(v) the mixed financial holding company or its subsidiaries		
(vi) any undertaking that has close links with the entities referred to in points (i) to (v) of this item		
(f) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the instruments in insolvency or liquidation		
(g) the instruments are perpetual and the provisions governing them include no incentive for the institution to redeem them		
(related provisions of Article 20 of Commission Delegated Regulation (EU) No 241/2014)		
(h) where the instruments include one or more early redemption options, including call options, the options may be exercised at the sole discretion of the issuer		
(i) the instruments may be called, redeemed or repurchased only where one of the conditions laid down in Article 78, paragraph (1), items (a) or (b) of		



Regulation (EU) No 575/2013 is met, and not before five years after the date of issuance except where the conditions laid down in Article 78, paragraph (4) of Regulation (EU) No 575/2013 are fulfilled		
(j) the provisions governing the instruments do not indicate explicitly or implicitly that the institution, as the case may be, would call, redeem or repurchase the instruments, except in the event of insolvency or liquidation of the institution and the institution does not otherwise provide such an indication		
(k) the institution does not indicate explicitly or implicitly that the conditions laid down in Article 78, paragraph (1), items (a) or (b) of Regulation (EU) No 575/2013 would be met so that the instruments might be called, redeemed or repurchased		
(l) distributions under the instruments meet the following conditions:		
(i) they are paid out of distributable items		
(ii) the level of distributions made on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking		
(iii) the provisions governing the instruments give the institution full discretion at all times to cancel the distributions on the instruments for an unlimited period and on a non-cumulative basis, and the institution may use such cancelled payments without restriction to meet its obligations as they fall due		
(iv) cancellation of distributions does not constitute an event of default of the institution		
(v) the cancellation of distributions imposes no restrictions on the institution		
(m) the instruments do not contribute to a determination that the liabilities of an institution exceed its assets, where such a determination constitutes a test of insolvency under applicable national law		
(n) the provisions governing the instruments require that, upon the occurrence of a trigger event, the principal amount of the instruments be written down		



on a permanent or temporary basis or the instruments be converted to common equity tier 1 instruments		
(o) the provisions governing the instruments include no feature that could hinder the recapitalisation of the institution		
(p) where the issuer is established in a third country and has been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union or where the issuer is established in a member state, the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers referred to in Article 59 of that Directive, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted to the common equity tier 1 instruments; where the issuer is established in a third country and has not been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union, the law or contractual provisions governing the instruments require that, upon a decision by the relevant third-country authority, the principal amount of the instruments is to be written down on a permanent basis or the instruments are to be converted into common equity tier 1 instruments		
(q) where the issuer is established in a third country and has been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union or where the issuer is established in a member state, the instruments may only be issued under, or be otherwise subject to the laws of a third country where, under those laws, the exercise of the write-down and conversion powers referred to in Article 59 of that Directive is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions		



(r) the instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses		
Article 53 of Regulation (EU) No 575/2013		
Restrictions on the cancellation of distributions on additional tier 1 instruments and features that could hinder the recapitalisation of the institution		
Article 54 of Regulation (EU) No 575/2013		
Write down or conversion of additional tier 1 instruments		

ANNEX 5
**TEMPLATE FOR THE
ASSESSMENT OF THE FULFILMENT OF CONDITIONS TO QUALIFY AS TIER 2
INSTRUMENTS**

This Annex is an integral part of the Decision on own funds of payment institutions.

A payment institution (hereinafter referred to as 'institution') is required, in the Template for the assessment of the fulfilment of conditions to qualify as tier 2 instruments, to assess the compliance of capital instruments at least with the conditions prescribed by the following provisions:

- Article 63 of Regulation (EU) No 575/2013 (conditions for instruments); and
- Articles 8, 9 and 20 of Commission Delegated Regulation (EU) No 241/2014 (indirect funding and incentives to redeem).

Template for the assessment of the fulfilment of conditions to qualify as tier 2 instruments		
<i>(name of instrument)</i>		
<i>(number and indication of the provision prescribing each condition for the individual capital instrument)</i>	<i>(indication of and reference to the corresponding provision of the contract governing the capital instrument or another appropriate document relevant for demonstrating the fulfilment of each of the prescribed conditions for the capital instrument)</i>	<i>(reasoned assessment of the fulfilment of each of the prescribed conditions)</i>
Article 63 of Regulation (EU) No 575/2013		
(a) the instruments are issued directly by the institution and they are fully paid up; Only the fully paid up part of a capital instrument shall be eligible as the tier 2 instrument.		
(b) the instruments are not owned by any of the following persons:		
(i) the institution or its subsidiaries		
(ii) an undertaking in which the institution has a participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking		



(c) the acquisition of ownership is not funded directly or indirectly by the institution		
(related provisions of Articles 8 and 9 of Commission Delegated Regulation (EU) No 241/2014)		
(d) the claim on the principal amount of the instruments under the provisions governing the instruments is subordinated to claims on eligible liabilities instruments		
(e) the instruments are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following:		
(i) the institution or its subsidiaries		
(ii) the parent undertaking of the institution or its subsidiaries		
(iii) the parent financial holding company or its subsidiaries		
(iv) the mixed activity holding company or its subsidiaries		
(v) the mixed financial holding company or its subsidiaries		
(vi) any undertaking that has close links with the entities referred to in points (i) to (v) of this item		
(f) the instruments are not subject to any arrangement that otherwise enhances the seniority of the claim under the instruments		
(g) the instruments have an original maturity of at least five years		
(h) the provisions governing the instruments do not include any incentive for their principal amount to be redeemed or repaid, as applicable by the institution prior to their maturity		
(related provisions of Article 20 of Commission Delegated Regulation (EU) No 241/2014)		
(i) where the instruments include one or more early redemption options, including call options, the options are exercisable at the sole discretion of the issuer		



<p>(j) the instruments may be called, redeemed, repaid or repurchased early only where one of the conditions laid down in Article 78, paragraph (1), items (a) or (b) of Regulation (EU) No 575/2013 is met, and not before five years after the date of issuance or raising, as applicable, except where the conditions laid down in Article 78, paragraph (4) of Regulation (EU) No 575/2013 are met</p>		
<p>(k) the provisions governing the instruments do not indicate explicitly or implicitly that the instruments would be called, redeemed, repaid or repurchased early, as the case may be, by the institution other than in the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication</p>		
<p>(l) the provisions governing the instruments do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the institution</p>		
<p>(m) the level of interest or dividend payments, as the case may be, due on the instruments will not be amended on the basis of the credit standing of the institution or its parent undertaking</p>		
<p>(n) where the issuer is established in a third country and has been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union or where the issuer is established in a member state, the law or contractual provisions governing the instruments require that, upon a decision by the resolution authority to exercise the write-down and conversion powers referred to in Article 59 of that Directive, the principal amount of the instruments to be written down on a permanent basis or the instruments are to be converted to common equity tier 1 instruments;</p> <p>where the issuer is established in a third country and has not been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union, the law or contractual provisions governing the instruments require that, upon a decision by the relevant third-country authority, the principal amount of the instruments is to be written down on a</p>		



permanent basis or the instruments are to be converted into common equity tier 1 instruments		
(o) where the issuer is established in a third country and has been designated in accordance with Article 12 of Directive 2014/59/EU as part of a resolution group the resolution entity of which is established in the Union or where the issuer is established in a member state, the instruments may only be issued under, or be otherwise subject to the laws of a third country where, under those laws, the exercise of the write-down and conversion powers referred to in Article 59 of that Directive is effective and enforceable on the basis of statutory provisions or legally enforceable contractual provisions that recognise resolution or other write-down or conversion actions		
(p) the instruments are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses		