

Pursuant to Article 29 of the Foreign Exchange Act (official gazette *Narodne novine*, No. 96/2003), and Article 38, paragraph 3, under 1) of the Croatian National Bank Act (official Gazette *Narodne novine*, No. 36/2001), the Council of the Croatian National Bank, at its meeting held on 9 July 2003, enacted the following

DECISION

on the Conditions for Issuing Approvals for Opening Foreign Exchange Accounts Abroad

General Provisions

I

This Decision determines the conditions under which residents may be granted an approval from the Croatian National Bank for opening accounts and keeping funds in accounts abroad (hereinafter: approval for opening a foreign exchange account abroad).

II

Residents may be granted an approval for opening a foreign exchange account abroad provided they have no unsettled due obligations in their accounts for regular operations, in terms of the National Payment System Act.

Purposes for Which Approvals for Opening Foreign Exchange Accounts Abroad are Granted and the Required Documentation

III

(1) The Croatian National Bank shall issue approvals for opening foreign exchange accounts abroad in the following situations:

1. **for carrying out investment projects abroad**, approvals granted may amount to a 20% of the value of the agreed projects, and that as a total:
 - a) for any advance payments received from foreign partners, which are conditioned by opening a foreign exchange account;
 - b) for foreign credit granted for the financing of the investment project which was conditional upon opening a foreign exchange account abroad, all of which needs to be documented by supplying a copy of the credit agreement; and
 - c) for the supply and maintenance of the work site abroad, in particular: accommodation, food, and residence costs of workers abroad, their salaries, taxes, insurance, and other current expenses equaling the average monthly costs for such purposes, for which a pro-forma invoice has to be supplied;

2. **for research projects abroad**, subject to the provision of a copy of the concession agreement for such research projects;
3. **for the purpose of a guarantee deposit**, provided the foreign partner requires such a deposit, or provided it is prescribed by the relevant country legislation. Substantiating documents that need to be supplied shall include: a copy of the agreement, a copy of the foreign partner's request, a translation of the relevant foreign country legislation or the conditions specified in the invitation for bids;
4. **for drawing funds under foreign credits**, where this has been conditioned by opening an account with a bank abroad. Where this is the case, a copy of the relevant credit agreement has to be supplied;
5. **for insurance against interest rate, currency and other market risks** that may arise from export and foreign credit transactions. The approval for the purpose referred to in this subitem, shall be issued up to the amount of the largest expected payments for insurance referred to in this subitem. A copy of the signed relevant agreement shall be supplied;
6. **for securities purchase and sale transactions abroad** conducted by residents pursuant to the law. Enclosed with the request for approval for this purpose shall be a copy of the agreement with the foreign authorized company or a copy of other relevant documentation indicating that the opening of an account abroad is a condition for the securities purchase and sale transactions and a copy of a document indicating what the fund's assets are. Approval for the purpose referred to in this subitem, may be issued up to a maximum amount of 2% of the fund's net assets, or the value of foreign securities portfolio, provided the investor is not a fund. The value of foreign securities portfolio shall be substantiated by a securities account statement, issued by the custodian bank;
7. **for the payment of the costs of commercial representative offices abroad**;
8. **for the payment of the costs of residents providing services in international goods and passenger traffic and residents involved in insurance of property and persons.**

Approvals for opening a foreign exchange account abroad in cases listed under subitems 7 and 8 of this item, shall be granted up to the amount of average monthly costs in the past twelve months, as determined on the basis of accounting records. Where a resident has been operating for a period of less than twelve months, the average monthly costs shall be calculated for the previous business period.

The provision of the preceding paragraph notwithstanding, if the representative office is only just starting business, or if the resident is only just starting to provide services in international goods and passenger traffic or in the insurance of property and persons, the amount for which an approval for opening a foreign exchange account abroad is issued shall be based on planned costs;

9. for the settlement of claims in a non-transferable currency (domestic currency of the country which, under the laws of that particular country, cannot be transferred) in connection with:

a) investment projects, provided such a condition has been stipulated in the regulations of the relevant country, the invitation for bids, or tender documentation. In addition to its argued request for account opening, residents shall also provide an abstract of the relevant country's, regulation, abstract of the invitation for bids or an abstract of the tender documentation;

b) the provision of services in international goods and passenger traffic. For this purpose, documents shall be submitted indicating the request's legitimacy and the possibility for spending such non-transferable currency.

(2) The residents shall be allowed to sell the unused non-transferable currency, acquired under the conditions specified in this Decision, to another resident.

IV

(1) Approvals for opening foreign exchange accounts abroad referred to in this Decision, shall be issued on residents' requests, for a maximum period of one year, with the possibility of extension. By way of exception, an approval for opening a foreign exchange account abroad may be granted for a period longer than one year, to the maximum period of the duration of the obligation under a particular agreement.

(2) A request for an approval for opening a foreign exchange account abroad shall list the purpose of the account, the amount for which an approval is requested, the name of the country and the name of the foreign bank or the financial institution with which such an account is to be opened. Enclosed with the request shall be the documents and the data prescribed in this Decision and a fee shall be paid as prescribed by the Administrative Fees Act.

(3) If necessary, the Croatian National Bank may require other documentation.

V

(1) Residents shall ensure that average daily balances in their accounts abroad, on a quarterly basis, do not exceed the amount specified in their approvals for opening foreign exchange accounts abroad.

(2) The average daily balances in the accounts, on a quarterly basis, shall be calculated by dividing the sum total of daily balances on each business day during the quarter by the number of business days during that quarter.

(3) Residents shall report to the Croatian National Bank on the balances in their accounts abroad, in accordance with a special decision, or with conditions specified in the approvals for opening foreign exchange accounts abroad.

Closing Accounts Abroad

VI

(1) Residents shall transfer into the Republic of Croatia any funds held in accounts abroad within one month after the circumstances, on the basis of which they were allowed to keep funds in accounts abroad, cease to exist.

(2) In case of investment projects carried out abroad, residents shall transfer the funds held in accounts abroad into the Republic of Croatia within six months following the completion of such projects. By way of exception, an extension of the approval for opening a foreign exchange account abroad may be granted for the next period for the remaining uncollected payments.

(3) Following the transfer of funds into the country, the resident shall close its account with a bank abroad and within 10 days from the date of account closing, notify thereof the Croatian National Bank.

VII

(1) The procedure for issuing approvals for opening foreign exchange accounts abroad referred to in item I of this Decision, shall be governed by the General Administrative Procedure Act.

(2) Approvals issued pursuant to the Decision on the General Conditions for Granting Approvals to a Domestic Person to Keep Foreign Exchange in an Account Abroad (official gazette *Narodne novine*, Nos. 17/2002 and 10/2003) shall be valid until the expiry of the time limit specified in the approval issued by the Croatian National Bank.

VIII

As of the date of its effect, this Decision shall supersede the Decision on the General Conditions for Granting Approvals to a Domestic Person to Keep Foreign Exchange in an Account Abroad (official gazette *Narodne novine*, Nos. 17/2002 and 10/2003) and the Decision on the Conditions under Which an Approval May Be Granted for a Collection of Foreign Claims in Non-Transferable Currency (official gazette *Narodne novine*, No. 115/1993).

IX

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

Dec. no.

CROATIAN NATIONAL BANK
COUNCIL CHAIRMAN
GOVERNOR
Željko Rohatinski, Ph.D.