

Decision on the supervision of a group of credit institutions on a consolidated basis

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Decision
on the supervision of a group of credit institutions on a consolidated basis

I General provisions

Subject matter

Article 1

This Decision prescribes in detail:

- 1) the method of determining a parent credit institution in the RC (hereinafter: parent credit institution) and the requirements which such a credit institution shall meet for a group of credit institutions in the RC (hereinafter: group of credit institutions in the RC) for the purposes of exercising supervision on a consolidated basis;
- 2) the provisions on the method of consolidation and the conditions under which individual legal persons may be included in a group of credit institutions in the RC for the purposes of exercising supervision on a consolidated basis;
- 3) the conditions under which individual legal persons may be excluded from a group of credit institutions in the RC;
- 4) the methods of calculating capital requirements, large exposures, holdings in non-financial institutions, holdings in tangible assets and other prudential requirements at the level of a group of credit institutions in the RC, and
- 5) the method of and conditions for reporting on intra-group transactions between a mixed-activity holding company and its subsidiaries.

II Determining a parent credit institution within a group of credit institutions in the RC

Definition of a parent credit institution

Article 2

(1) For the purposes of this Decision, a parent credit institution shall mean a credit institution within a group of credit institutions in the RC having the status of:

- 1) a parent credit institution in the RC as defined in Article 19 of the Credit Institutions Act;
- 2) a credit institution which is a subsidiary of a parent financial holding company referred to in Article 282, paragraph (1), item (2) and paragraph (3) of the Credit Institutions Act;
- 3) a credit institution which is a subsidiary of a parent financial holding company referred to in Article 282, paragraphs (4) and (5) of the Credit Institutions Act;
- 4) a credit institution having its registered office in the Republic of Croatia which is linked with another credit or financial institution by management on a unified basis in the manner referred to in Article 23, items (1) and (3) of the Credit Institutions Act;
- 5) a credit institution having its registered office in the Republic of Croatia which is linked with another credit or financial institution so that they are controlled by the same third party, and that the Croatian National Bank, pursuant to Article 282, paragraph (2) of the Credit

Institutions Act, has determined that they constitute a group of credit institutions in the RC and ordered the credit institution in question to carry out the activities of a parent credit institution.

(2) Where several credit institutions having their registered offices in the Republic of Croatia referred to in paragraph (1), items (2) to (5) of this Article are subsidiaries to the same parent financial holding company or linked in the manner referred to in Article 23, items (1) and (3) of the Credit Institutions Act, a parent credit institution within a group of credit institutions in the RC shall be the credit institution with the largest balance sheet total.

(3) A credit institution referred to in Article 282, paragraph (1), item (2) and paragraphs (3) to (5) of the Credit Institutions Act shall comply with the requirements pursuant to this Decision of a parent credit institution within a group of credit institutions in the RC based on the financial position of a parent financial holding company.

(4) Where a subsidiary credit institution having its registered office in the Republic of Croatia or a parent financial holding company within a group of credit institutions in the RC is a parent of or holds a participation in another credit or financial institution, an asset management company or a pension company having its registered office in a third country, it shall comply with the requirements referred to in Article 127, paragraph (1) of the Credit Institutions Act and the requirements on governance arrangements referred to in Article 113 of the Credit Institutions Act on a sub-consolidated basis. In this case, this subsidiary credit institution having its registered office in the Republic of Croatia and a parent financial holding company within a group of credit institutions in the RC shall comply with the requirements imposed on a parent credit institution pursuant to his Decision.

Inclusion of individual undertakings in a group of credit institutions in the RC

Article 3

Where a group of credit institutions in the RC exists in accordance with Article 282, paragraphs (1) to (5) of the Credit Institutions Act, this group shall also include ancillary services undertakings, asset management companies in accordance with the law governing the operation of investment funds (hereinafter: asset management companies) and pension companies if they have the status of:

- 1) a subsidiary undertaking of a parent credit institution in the RC;
- 2) a subsidiary undertaking of a parent financial holding company in the RC;
- 3) an undertaking which is linked by management on a unified basis with another credit or financial institution within a group of credit institutions in the RC in the manner referred to in Article 23, items (1) and (3) of the Credit Institutions Act;
- 4) a subsidiary undertaking of a financial holding company having its registered office in another Member State, where the conditions referred to in Article 282, paragraphs (4) and (5) of the Credit Institutions Act are met, or
- 5) an undertaking in which a parent credit institution in the RC holds a participation.

Exclusion of individual undertakings from a group of credit institutions in the RC

Article 4

(1) The Croatian National Bank may, on the basis of a written request from a parent credit institution exclude from a group of credit institutions in the RC a credit or financial institution, an ancillary services undertaking, an asset management company or pension company

(hereinafter: legal persons) where one of the conditions referred to in Article 282, paragraph (7) of the Credit Institutions Act is met.

(2) A parent credit institution shall submit to the Croatian National Bank a written request referred to in paragraph (1) of this Article and the accompanying documentation proving that that the conditions referred to in Article 282, paragraph (7) of the Credit Institutions Act are met at least thirty days before the reporting date under the Decision on the supervisory reports of credit institutions, stating the reasons for the exclusion of an undertaking from a group of credit institutions in the RC.

(3) When deciding on the exclusion of a legal person, the Croatian National Bank may require from a parent credit institution additional data and information if the data and information submitted are insufficient to make a decision.

(4) Holding of a parent credit institution in the capital of an undertaking which is excluded from a group of credit institutions in the RC shall be deducted from the calculation of consolidated own funds.

(5) The undertakings excluded from a group of credit institutions in the RC shall provide the parent credit institution with all the information required for exercising supervision on a consolidated basis or for the purposes of reporting to the Croatian National Bank.

Methods of consolidation for the purposes of supervision on a consolidated basis **Article 5**

(1) For the purposes of supervision on a consolidated basis, a parent credit institution shall submit to the Croatian National Bank financial statements and other reports for its group of credit institutions in the RC on a consolidated basis.

(2) A parent credit institution shall, when preparing consolidated financial statements, apply to the subsidiaries within a group of credit institutions in the RC the full consolidation method.

(3) In cases where a parent credit institution has a participation in a legal person within a group of credit institutions in the RC, the parent credit institution shall declare such participation by the equity method when preparing consolidated financial statements.

(4) By way of derogation from paragraphs (2) and (3) of this Article, when preparing consolidated financial statements in the cases referred to in Article 284, paragraph (2) of the Credit Institutions Act, the Croatian National Bank may require the application of the proportional consolidation method, whereas in the case referred to in Article 284, paragraph (4) of the Credit Institutions Act, it shall require the application of the proportional consolidation method.

(5) Where a parent credit institution is linked by management on a unified basis with other legal persons within a group of credit institutions in the RC, the Croatian National Bank shall decide on the method of consolidation and reporting on specific requirements for the purposes of exercising supervision on a consolidated basis, in accordance with the accepted principles of consolidation and objectives of the supervision on a consolidated basis.

III Prudential requirements for a group of credit institutions in the RC

Risk management in a group of credit institutions in the RC

Article 6

(1) A parent credit institution shall be responsible for establishing and implementing the management system for all risks to which a group of credit institutions in the RC is exposed or might be exposed in its operation. Risk management criteria, methods and procedures must be prescribed in the general bylaws of the parent credit institution in accordance with the Decision on risk management.

(2) A parent credit institution shall at the level of a group of credit institutions in the RC on a consolidated basis adopt and implement appropriate administrative, accounting and other procedures for the calculation and monitoring of:

- 1) consolidated own funds;
- 2) consolidated capital requirements;
- 3) large exposures;
- 4) holdings in tangible assets;
- 5) holdings in non-financial institutions.

(3) In addition to the requirement referred to in paragraphs (1) and (2) of this Article, a parent credit institution shall for a group of credit institutions in the RC on a consolidated basis adopt and implement adequate procedures for:

- 1) the assessment and calculation of internal capital adequacy in accordance with Article 111 of the Credit Institutions Act and the Decision on the internal capital adequacy assessment process for credit institutions;
- 2) the public disclosure requirements referred to in Articles 176 to 178 of the Credit Institutions Act, and in accordance with Article 375, paragraph (2) of the Credit Institutions Act and the Decision on public disclosure of compliance with prudential requirements by credit institutions;
- 3) the public disclosure of compliance with prudential requirements referred to in Articles 176 to 178 of the Credit Institution Act, in accordance with Article 127, paragraphs (3) to (5) of the Credit Institutions Act and the Decision on public disclosure of compliance with prudential requirements by credit institutions;
- 4) the preparation and submission of financial statements and other reports for the purposes of the Croatian National Bank pursuant to the Credit Institutions Act and regulations adopted under that act; and
- 5) the governance arrangements in accordance with Article 113 of the Credit Institutions Act, Decision on internal control systems and Decision on the management of interest rate risk in the non-trading book.

Consolidated own funds of a group of credit institutions in the RC

Article 7

(1) A parent credit institution shall calculate consolidated own funds of a group of credit institutions in the RC based on consolidated financial statements for a group of credit institutions in the RC and in accordance with the Decision on own funds of credit institutions and this Decision.

(2) Consolidated own funds of a group of credit institutions in the RC shall include:

- consolidated reserves of a group of credit institutions in the RC increased or decreased by the items defined in Article 8 of this Decision; and
- the amounts of holdings of a parent credit institution in the capital of the legal persons excluded from a group of credit institutions in the RC in accordance with the provisions of Article 4, paragraph (4) of this Decision, as deductible items.

(3) The transactions between the legal persons within a group of credit institutions in the RC shall not be deducted in the calculation of the consolidated own funds.

Consolidated reserves

Article 8

(1) The following items shall constitute consolidated reserves:

- 1) any minority holding – any net asset amount of a subsidiary which is added to the capital and is neither directly nor indirectly owned by a parent, in the event of full consolidation;
- 2) the first consolidation differences, including goodwill;
- 3) the translation differences – the differences arising from the inclusion of legal persons within a group of credit institutions in the RC whose presentation currency differs from the reporting currency of a parent credit institution;
- 4) the difference arising from the valuation by the equity method of the holding in a legal person within a group of credit institutions in the RC in which a parent credit institution holds a participation.

(2) Where consolidated reserves referred to in paragraph (1) of this Article have negative signs (credit items), they shall be added to the consolidated original own funds, and where they have positive signs (debit items) they shall be deducted from the consolidated original own funds.

Limits on consolidated own funds of a group of credit institutions in the RC

Article 9

(1) Consolidated own funds of a group of credit institutions in the RC shall not fall below the minimum permitted amount of initial capital for this parent credit institution prescribed in the Credit Institutions Act.

(2) The consolidated capital adequacy ratio of a group of credit institution in the RC shall be calculated as the relationship between the consolidated own funds and the total amounts of:

- 1) credit risk-weighted exposures of a group of credit institutions in the RC, calculated in accordance with the provisions of Title II of the Decision on the capital adequacy of credit institutions and in accordance with this Decision; and
- 2) consolidated initial capital requirements for market risks and operational risk calculated in accordance with the provisions of Title III and Title IV of the Decision on the capital adequacy of credit institutions and in accordance with this Decision, and multiplied by 12.5.

(3) A group of credit institutions in the RC shall maintain the consolidated capital adequacy ratio of at least 12 percent.

(4) When calculating credit risk-weighted exposure amounts and consolidated initial capital requirement amounts referred to in paragraph (2) of this Article for a group of credit institutions in the RC, a parent credit institution shall, as appropriate, apply the provisions of the Decision on the capital adequacy of credit institutions, unless otherwise prescribed in this Decision.

Consolidated capital requirement for credit risk

Article 10

(1) A parent credit institution may calculate the credit risk-weighted exposure amount at the level of a group of credit institutions in the RC using either the Standardised Approach or the IRB approach.

(2) The basis for the calculation of the credit risk-weighted exposure amount referred to in paragraph (1) of this Article using the Standardised Approach shall be the exposures of a group of credit institutions in the RC net of transactions between the legal persons within the group of credit institutions in the RC subject to the provisions of Parts 1 and 2 of Title II of the Decision on the capital adequacy of credit institutions.

(3) The basis for the calculation of the credit risk-weighted exposure amount referred to in paragraph (1) of this Article using the IRB Approach shall be the exposures of a group of credit institutions in the RC net of transactions between the persons within a group of credit institutions in the RC subject to the provisions of Part 3 of Title II of the Decision on the capital adequacy of credit institutions.

Consolidated capital requirements for counterparty risk and settlement risk

Article 11

(1) A parent credit institution shall calculate the amount of exposures to settlement risk or counterparty risk in the manner prescribed in Part 6 of Title II of the Decision on the capital adequacy of credit institutions for each institution within the group of credit institutions in the RC.

(2) For the purposes of this Decision, "institution" shall mean the institution as defined in Article 2, paragraph (1), item (7) of the Decision on the capital adequacy of credit institutions.

(3) The exposure referred to in paragraph (1) of this Article shall be made of the amounts for which the capital requirement is calculated in the manner prescribed in Part 6 of Title II of the Decision on the capital adequacy of credit institutions for each institution within a group of credit institution in the RC.

Consolidated capital requirements for market risks

Article 12

(1) A parent credit institution shall calculate consolidated capital requirements for market risks in the manner prescribed in the Decision on the capital adequacy of credit institutions and this Decision. When calculating consolidated capital requirements for position risk, foreign-

exchange risk, commodities risk and the excess of the permitted exposure limits it shall be permitted to set off the positions between the members of the group in the manner prescribed in Article 13 of this Decision.

(2) Consolidated initial capital requirements for position risk shall equal the sum of individual initial capital requirements for these risks of the institutions within a group of credit institutions in the RC calculated in accordance with Title III of the Decision on the capital adequacy of credit institutions.

(3) By derogation from paragraph (2) of this Article, a parent credit institution shall calculate initial capital requirements for position risks in accordance with the provisions of Title II of the Decision on the capital adequacy of credit institutions for the institutions within a group of credit institutions in the RC which meet the conditions referred to in Article 510 of the same Decision.

(4) The consolidated initial capital requirement for foreign- exchange risk shall equal the sum of individual initial capital requirements for foreign-exchange risk of the institutions within a group of credit institutions in the RC.

(5) A parent credit institution shall calculate the initial capital requirement for foreign-exchange risk in accordance with Title III of the Decision on the capital adequacy of credit institutions for the institutions whose total open foreign-exchange position, increased by the net position in gold calculated in accordance with Article 553 of the same Decision, exceeds 2 percent of the own funds/capital of that institution within a group of credit institutions in the RC.

(6) The consolidated initial capital requirement for commodities risk shall equal the sum of individual initial capital requirements for commodities risk of the institutions within a group of credit institutions in the RC. A parent credit institution shall calculate the initial capital requirement for commodities risk in accordance with Title III of the Decision on the capital adequacy of credit institutions.

(7) The consolidated initial capital requirement for the excess of the permitted exposure limits shall equal the sum of individual initial capital requirements for the excesses of permitted exposure limits of the institutions within a group of credit institutions in the RC, calculated in accordance with Part 8 of Title III of the Decision on the capital adequacy of credit institutions.

Setting off of the positions when calculating consolidated capital requirements for market risks

Article 13

(1) When calculating consolidated initial capital requirements for position risks and the excess of permitted exposure limits, it shall be permitted to set off the positions of the same items having different signs from trading books of the institutions within a group of credit institutions from the RC if they have been determined in accordance with Title III of the Decision on the capital adequacy of credit institutions.

(2) When calculating consolidated initial capital requirements for foreign-exchange risk, it shall be permitted to set off long and short open foreign exchange positions between the institutions

within a group of credit institutions in the RC if they have been determined in accordance with Title III of the Decision on the capital adequacy of credit institutions.

(3) When calculating consolidated initial capital requirements for commodities risk, it shall be permitted to set off the same commodities positions having different signs between the institutions within a group of credit institutions in the RC if they have been determined in accordance with Part 5 or Part 7 of Title III of the Decision on the capital adequacy of credit institutions.

(4) The setting off of the positions referred to in paragraphs (1) to (3) of this Article shall be permitted between the legal persons within a group of credit institutions in the RC having their registered offices in the Republic of Croatia or in a Member State and other members of the group having their registered offices in the Republic of Croatia or in a Member State which have been authorised by the competent supervisory authority, provided that all the following conditions are met:

- 1) the said legal persons maintain the prescribed adequacy of own funds/capital on an individual basis; and
- 2) there are neither *de facto* nor *de jure* restrictions for the conclusion of contracts guaranteeing the mutual financial support between these institutions.

(5) For the purposes of the calculation of consolidated initial capital requirements referred to in paragraphs (1) to (3) of this Article, each member of a group may set off positions with another legal person within the same group which has the registered office in a third country, provided that all the following conditions are met:

- 1) the legal person within the group which has the registered office in a third country is an institution authorised by the competent authority and it complies with the prudential requirements which it would be obliged to comply with under the regulations of the European Union;
- 2) the legal person operates on an individual basis in accordance with the regulations governing capital adequacy in the same manner as the regulations of the European Union; and
- 3) under the law of that third country there are neither *de facto* nor *de jure* restrictions for the transfer of capital within that group.

Capital requirement for operational risk

Article 14

(1) A parent credit institution shall for the purposes of the calculation of the consolidated initial capital requirement for operational risk for the group of credit institutions in the RC use the Simplified Approach, the Standardised Approach conditioned upon meeting the qualifying criteria, the Standardised Approach, subject to prior permission of the Croatian National Bank, or a combination of the approaches under Title IV of the Decision on the capital adequacy of credit institutions.

(2) The basis for the calculation of a relevant indicator or a relevant indicator calculated for an individual business line shall be the sum of net interest income and net non-interest income of a group of credit institutions in the RC, and the provisions of Parts 2 and 3 of Title IV of the Decision on the capital adequacy of credit institutions shall apply for that purpose.

(3) Where a parent credit institution uses the Standardised Approach for the calculation of the capital requirement for operational risk, it shall ensure that the group of credit institutions in the RC as a whole has established policies, procedures and criteria for the division of its activities into business lines and that it meets the qualifying criteria referred to in Article 595 of the Decision on the capital adequacy of credit institutions.

(4) Where a parent credit institution uses the Advanced Measurement Approach for the calculation of the capital requirement for operational risk, it shall ensure that the group of credit institutions in the RC as a whole meets the qualitative and quantitative qualifying criteria referred to in Part 4 of Title IV of the Decision on the capital adequacy of credit institutions.

(5) Where a parent credit institution or its subsidiary within a group of credit institutions in the RC uses a combination of the Advanced Measurement Approach and the Simplified Approach or the Standardised Approach or a combination of the Simplified Approach and the Standardised Approach, the parent credit institution shall ensure that the group of credit institutions in the RC meets the criteria referred to in Part 5 of Title IV of the Decision on the capital adequacy of credit institutions.

Deciding on permissions for a group of credit institutions in the RC

Article 15

(1) A member of a group of credit institutions in the RC shall obtain permission from the Croatian National Bank for the use of:

- 1) the IRB Approach for the calculation of credit risk-weighted exposure amounts;
- 2) the Own Estimates of Volatility Adjustments Approach under the Financial Collateral Comprehensive Method and internal models to calculate the fully adjusted exposure value for standardised netting agreements within the framework of credit risk mitigation techniques;
- 3) particular methods of calculating credit risk-weighted exposure amounts for securitisation positions;
- 4) the Advanced Measurement Approach for the calculation of capital requirements for operational risk;
- 5) an internal model for the calculation of the capital requirement for counterparty risk;
- 6) an internal models for the calculation of capital requirements for position risk, foreign-exchange risk, and/or commodities risk,
- 7) an internal model for the evaluation of options; and
- 8) the sensitivity model for the calculation of positions in derivative financial instruments.

(2) A group of credit institutions in the RC shall apply for the permissions referred to in paragraph (1) of this Article jointly as a group.

(3) Where a legal person within a group of credit institutions in the RC uses the internal model referred to in paragraph (1), items (6) to (8) of this Article, the amount resulting from the use of that model shall be included in the calculation of the capital adequacy ratio for the risk in question and it shall not be possible to set off the positions in the manner prescribed in Article 13 of this Decision.

IV Other prudential requirements

Exposure of a group of credit institutions in the RC Article 16

(1) A parent credit institution shall apply the exposure limits referred to in Articles 150 to 152 of the Credit Institutions Act. For the purposes of this Decision, the consolidated exposure of a group of credit institutions in the RC to one person shall be the exposure amount defined in Article 5 of the Decision on large exposures of credit institutions, calculated on the basis of consolidated financial statements for a group of credit institutions in the RC.

(2) The consolidated large exposure of a group of credit institutions in the RC shall be the exposure to one person or a group of connected persons which equals or exceeds 10 percent of the consolidated own funds of a group of credit institutions in the RC.

(3) The consolidated exposure of a group of credit institutions in the RC to one person or a group of connected persons shall not, following the implementation of risk mitigating techniques, exceed 25 percent of the consolidated own funds of that group.

(4) By way of derogation from paragraph (3) of this Article, the consolidated exposure of a group of credit institutions in the RC to a credit institution or an investment company and the group of legal persons connected with it shall not exceed the larger of the following to amounts:

- the amount of 25 percent of the consolidated own funds of that group or
- the amount of HRK 3 million.

(5) In the case referred to in paragraph (4) of this Article, the total consolidated exposure of a group of credit institutions in the RC to connected persons other than a credit institution or an investment company, shall not, following the implementation of risk mitigating techniques, exceed 25 percent of the consolidated own funds of that group.

(6) In the case referred to in paragraph (4) of this Article, if the amount of HRK 3 million exceeds 25 percent of the consolidated own funds of a group of credit institutions in the RC, the consolidated exposure to another credit institution or an investment company and a group of persons connected with it shall not, following the implementation of risk mitigating techniques, exceed the amount of 100 percent of the consolidated own funds of the group of credit institutions in the RC or HRK 3 million, whichever is the lower.

(7) By way of derogation from the provisions of paragraphs (3) to (6) of this Article, the consolidated exposure of a group of credit institutions in the RC to the person referred to in Article 153 of the Credit Institutions Act or group of persons connected with it shall not, following the implementation of risk mitigating techniques, exceed 10 percent of the consolidated own funds of the group of credit institutions in the RC.¹

¹ This paragraph shall cease to have effect on the date of accession of the Republic of Croatia to the European Union.

(8) The sum of all consolidated large exposures of a group of credit institutions in the RC shall not exceed 600 percent of the consolidated own funds of the group of credit institutions in the RC.²

(9) The sum of all consolidated exposures of a group of credit institutions in the RC to the persons in a special relationship referred to in Article 153 of the Credit Institutions Act shall not exceed 50 percent of the consolidated own funds of the group of credit institutions in the RC.³

(10) The limits prescribed in paragraphs (7) and (9) of this Decision shall not apply to the consolidated exposure of a group of credit institutions in the RC to a parent undertaking of a parent credit institution, to its subsidiary undertakings and the persons connected with them.

(11) The limits referred to in paragraphs (3) to (6) and paragraph (8) of this Article shall apply to the total consolidated exposure referred to in paragraph (10) of this Article.

Holdings in non-financial institutions and tangible assets of a group of credit institutions in the RC
Article 17

(1) Holding of a group of credit institutions in the RC in one non-financial institution and total holdings of a group of credit institutions in the RC in non-financial institutions shall not exceed the limits referred to in Article 157, paragraphs (1) and (2) of the Credit Institutions Act.

(2) Total holdings in tangible assets of a group of credit institutions in the RC shall not exceed the limits referred to in Article 157, paragraph (3) of the Credit Institutions Act.

(3) The consolidated own funds of a group of credit institutions in the RC shall be used for the calculation of the limits on the holdings of a group of credit institutions in the RC in non-financial institutions. The amount of holdings of a group of credit institutions in the RC shall be calculated based on the consolidated financial statements of the group of credit institutions in the RC and in accordance with the Decision on limits on credit institutions' holdings in non-financial institutions and holdings of tangible assets.

(4) The exemptions from the limits on holdings and permitted breaches of limits referred to in Articles 158 and 159 of the Credit Institutions Act shall as appropriate apply to the calculation of the limits on holdings on a consolidated basis for a group of credit institutions in the RC.

Internal capital of a group of credit institutions in the RC
Article 18

(1) A parent credit institution shall establish and implement appropriate, effective and comprehensive strategies and procedures to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital at the level of a group of credit institutions in the RC.

² This paragraph shall cease to have effect on the date of accession of the Republic of Croatia to the European Union.

³ This paragraph shall cease to have effect on the date of accession of the Republic of Croatia to the European Union.

(2) The provisions of the Decision on the internal capital adequacy assessment process for credit institutions shall apply as appropriate on a group of credit institutions in the RC.

Public disclosure of compliance with prudential requirements of a group of credit institutions in the RC

Article 19

(1) A credit institution referred to in Article 127, paragraphs (3) and (4) of the Credit Institutions Act and a systemically important subsidiary credit institution, defined as such by the Croatian National Bank pursuant to Article 127, paragraph (6) of the same Act and Article 6 of the Decision on public disclosure of compliance with prudential requirements by credit institutions, shall publicly disclose the information on the areas defined in Article 176 of the Credit Institutions Act at the level of a group of credit institutions in the RC and in accordance with the provisions of Title XIV of the Credit Institutions Act.

(2) The provisions of the Decision on public disclosure of compliance with prudential requirements by credit institutions shall as appropriate apply to a group of credit institutions in the RC.

V Reporting to the Croatian National Bank

Requirements for members of a group of credit institutions in the RC and a parent financial holding company

Article 20

(1) The members of a group of credit institutions in the RC and a parent financial holding company referred to in Article 282, paragraphs (1) and (3) to (5) of the Credit Institutions Act shall submit to a parent credit institution all data required for exercising supervision on a consolidated basis and reporting to the Croatian National Bank.

(2) The following shall in particular constitute the data referred to in paragraph (1) of this Article:

- 1) annual financial statements and the annual report;
- 2) audited financial statements where an undertaking is subject to audit under the laws governing accounting and audit;
- 3) a list of shareholders or holders of holdings;
- 4) a list of members of the management board, supervisory board or other management and supervisory bodies;
- 5) a list of legal persons in which a legal person within a group holds a participation or over which it exercises control;
- 6) information showing that a member of a group of credit institutions in the RC or a financial holding company are linked with a parent credit institution by management on a unified basis in the manner referred to in Article 23 of the Credit Institutions Act;
- 7) accounting data required to prepare consolidated financial statements and other reports;
- 8) data required to calculate capital requirements, large exposures and limits on holdings in non-financial institutions and tangible assets; and

9) other data required for meeting the requirements of a parent institution on a consolidated basis.

Notification of the composition of a group of credit institutions in the RC **Article 21**

(1) A parent credit institution shall submit to the Croatian National Bank a notification on the composition of a group of credit institution in the RC and the whole group (hereinafter: group composition notification). A parent credit institution shall compile the notification in the manner, in the form and within the time limits determined in the Decision on supervisory reports of credit institutions and the Instruction for statistical and prudential reporting.

(2) The notification referred to in paragraph (1) of this Article shall contain a list of all legal persons with which a parent credit institution is linked by a control relationship, participation or by management on a unified basis within the meaning of Articles 16, 21 and 23 of the Credit Institutions Act.

(3) The group composition notification shall contain a specification of direct and indirect capital, managerial or other links between individual legal persons within a group of credit institutions in the RC and all the legal persons within the group as a whole.

(4) The data on the legal persons constituting a group of credit institutions in the RC and the whole group shall at a minimum comprise the following:

- 1) name, registered office and identification number of a legal person;
- 2) legal form of a legal person;
- 3) the subject of operation of a legal person;
- 4) the amount of on-balance sheet assets and the amount of initial capital of an undertaking;
- 5) a list of holders of qualifying holdings;
- 6) the holding of a parent credit institution/financial holding company in the capital and/or of the voting rights of a legal person;
- 7) a list of members of managerial and supervisory bodies of a legal person;
- 8) the competent supervisory authority where a legal person is subject to supervision under a special law;
- 9) the name of the auditor of an undertaking where a legal person is subject to audit under the laws governing accounting and audit;
- 10) the types of business activities which a legal person performs with a parent credit institution; and
- 11) the method of consolidation for the purposes of supervision on a consolidated basis.

(5) The capital links and relationships between the members of a group of credit institutions in the RC and the whole group shall be presented in a scheme which in percentage amounts shows direct and indirect holdings in the capital and/or of the voting rights between the members constituting a group of credit institutions in the RC or the whole group.

(6) The managerial or other links and relationships between the members of a group of credit institutions in the RC and the whole group shall be presented in a scheme showing direct and indirect managerial or other relationships between the members constituting a group of credit institutions in the RC or the whole group.

Report submission requirements

Article 22

A parent credit institution shall submit to the Croatian National Bank:

- 1) for a group of credit institution in the RC - consolidated financial statements and other reports prescribed in subordinate legislation by the Croatian National Bank;
- 2) for a group of credit institutions in the RC - consolidated reports on own funds and capital requirements of credit institutions prescribed in the Decision on reports on own funds and capital requirements of credit institutions;
- 3) for a group of credit institutions in the RC - consolidated annual financial statements of a group of credit institutions in the RC;
- 4) consolidated annual financial statements for the whole group referred to in Article 190 of the Credit Institutions Act;
- 5) for a group of credit institutions in the RC - the auditor's assessment of the regularity, accuracy and completeness of the consolidated reports submitted to the Croatian National Bank pursuant to Article 196, paragraph (1), item (4) of the Credit Institutions Act;
- 6) for a group of credit institutions in the RC - a report prescribed by the Decision on the internal capital adequacy assessment process for credit institutions;
- 7) for a group of credit institutions in the RC - a report prescribed in the Decision on the management of interest rate risk in the non-trading book; and
- 8) for a group of credit institution in the RC – a report prescribed by the Decision on the classification of placements and off-balance sheet liabilities of credit institutions.

Method of and time limits for report submission

Article 23

A credit institution shall report to the Croatian National Bank in accordance with the provisions of this Decision in the manner, in the form and within the time limits defined in the Decision on supervisory reports of credit institutions and the Instruction for statistical and prudential reporting.

VI Oversight of intra-group transactions of a mixed-activity holding company and its subsidiary undertakings

Reporting on intra-group transactions

Article 24

(1) A credit institution shall determine appropriate risk management procedures and establish an internal control system, including a reporting system and accounting procedures, to adequately identify, measure, monitor and control intra-group transactions with a parent mixed-activity holding company and its subsidiary undertakings.

(2) A credit institution shall regularly, and at least on a semi annual basis, report in writing to the Croatian National Bank on significant intra-group transactions with a parent mixed activity holding company and its subsidiary undertakings. The significant intra-group transactions shall be the intra-group transactions between a credit institution and a parent mixed-activity holding company and between a credit institution and a subsidiary undertaking of a mixed-activity holding company which exceed 5 percent of the own funds of that credit institution.

(3) The intra-group transactions of a credit institution with a parent mixed-activity holding company and its subsidiary undertakings shall be the operations and transactions between the credit institution and a mixed-activity holding company or subsidiary undertakings, and in particular:

- 1) the operations which have an impact on mutual exposures;
- 2) the transactions related to mutual holdings of shares or holdings;
- 3) operations dealing with mutual holdings;
- 4) operations resulting in a decrease in a credit institution's exposure to a specific risk;
- 5) transactions which have an impact on the level of capital requirements of a credit institution;
- 6) operations which have an impact on liquidity risk management; and
- 7) agreements on the mutual division of expenses related to common projects.

VII Transitional and final provisions

Article 25

(1) The Decision on consolidated financial statements of a banking group (Official Gazette 17/2003 and 149/2005) shall cease to have effect on the date of entry into force of this Decision.

(2) Article 6, paragraph (3), items (2) of this Decision shall cease to have effect on the date of accession of the Republic of Croatia to the European Union.

(3) This Decision shall be published in the Official Gazette and shall enter into force on 31 March 2010, with the exception of Article 2, paragraph (1), item (3), Article 3, item (4), Article 6, paragraph (3), item (3) of this Decision, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.