

THE CROATIAN PARLIAMENT

3531

Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE ELECTRONIC MONEY ACT

I hereby promulgate the Electronic Money Act, passed by the Croatian Parliament at its session on 26 November 2010.

Class: 011-01/10-01/143

No.: 71-05-03/1-10-2

Zagreb, 3 December 2010

President of the Republic of Croatia

Prof. Ivo Josipović, PhD, m.p.

ELECTRONIC MONEY ACT

TITLE I GENERAL PROVISION

Subject matter

Article 1

This Act governs:

- 1) electronic money and electronic money issuers;
- 2) the issuance and redemption of electronic money;
- 3) conditions for the establishment, operation and dissolution of electronic money institutions having their registered office in the Republic of Croatia, including electronic money institutions under exemption, and the prudential supervision of their operation; and
- 4) conditions under which electronic money institutions having their registered office outside the Republic of Croatia may operate in the Republic of Croatia.

Definitions

Article 2

For the purposes of this Act, the following terms shall have the following meanings:

- (1) »*electronic money institution*« means a legal person that has been granted authorisation to issue electronic money;
- (2) »*electronic money*« means electronically, including magnetically, stored monetary value representing a claim on the issuer, which is issued upon receipt of funds for the purpose of making payment transactions in terms of the law governing payment transactions, and which is accepted by a natural or legal person other than the electronic money issuer;
- (3) »*qualifying holding*« means a direct or indirect holding on the basis of which a natural or legal person acquires 10 percent or more of the capital or voting rights of another legal person, or a direct or indirect holding of less than 10 percent of the capital or of the voting rights of another legal person, which makes it possible to exercise a significant influence over the management of that legal person;
- (4) »*indirect holder of a holding*« means an indirect holder of shares, holdings or other rights providing him with a share of the capital or voting rights of a legal person, as provided under the law governing credit institutions.

(5) »*close links*« means close links in terms of the law governing credit institutions;

(6) »*payment services*« means the following services provided by payment service providers as their business activity:

1) services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account;

2) services enabling cash withdrawals from a payment account, as well as all the operations required for operating a payment account;

3) execution of payment transactions, including transfers of funds to a payment account with the user's payment service provider or with another payment service provider:

- execution of direct debits, including one-off direct debits,

- execution of payment transactions through a payment card or a similar device,

- execution of credit transfers, including standing orders;

4) execution of payment transactions where the funds are covered by a credit line for a payment service user:

- execution of direct debits, including one-off direct debits,

- execution of payment transactions through a payment card or a similar device,

- execution of credit transfers, including standing orders;

5) issuing and/or acquiring of payment instruments;

6) money remittance; and

7) execution of payment transactions where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of goods and services.

(7) »*Member State*« means a contracting party to the Agreement on the European Economic Area;

(8) »*home Member State*« means a Member State in which the registered office of an electronic money issuer is situated or, if the electronic money issuer has no registered office under its national law, the Member State in which its head office is situated;

(9) »*host Member State*« means a Member State other than the home Member State, in which an electronic money issuer has a branch, or in which it provides payment services through an agent, or directly issues electronic money and provides payment services;

(10) »*third country*« means, until the accession of the Republic of Croatia to the European Union, any foreign country, and after the accession, any non-Member State;

(11) »*payment account*« means an account as defined in the law governing payment transactions;

(12) »*payment transaction*« means a transaction as defined in the law governing payment transactions

(13) »*business day*« means a day on which an electronic money issuer issues electronic money;

(14) »*consumer*« means a natural person concluding a contract for the issue of electronic money outside the area of his/her business activity or freelance occupation.

Monetary value not considered as electronic money

Article 3

For the purposes of this Act, the following shall not be considered as electronic money:

1) monetary value stored on instruments that can be used for the acquisition of goods or services only on the premises of the instrument issuer, or only within a limited network of service providers, or for a limited range of goods or services pursuant to a contract between the instrument issuer and the service provider; or

2) monetary value used for the execution of payment transactions by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the electronic money holder, who is also a payment service user and the supplier of the goods and services;

Electronic money issuer

Article 4

(1) Electronic money issuers in the Republic of Croatia can be the following:

1) credit institutions having their registered office in the Republic of Croatia,

2) electronic money institutions having their registered office in the Republic of Croatia, including electronic money institutions under exemption;

3) The Croatian National Bank, when not acting in its capacity as monetary authority or other public authority;

- 4) The Republic of Croatia or units of local and regional self-government, when acting in their capacity as public authorities;
 - 5) credit institutions having their registered office in a Member State;
 - 6) electronic money institutions having their registered office in a Member State;
 - 7) branches of a third country credit institution having their registered office in the Republic of Croatia;
 - 8) branches of a third-country electronic money institution having their registered office in the Republic of Croatia;
 - 9) the European Central Bank, when not acting in its capacity as monetary authority or other public authority;
- (2) Only the entities referred to in paragraph (1) of this Article may issue electronic money.
- (3) The issues referred to in paragraph (1) items 1) and 7) of this Article may issue electronic money and provide payment services only in accordance with the authorisation granted pursuant to the provisions of the law governing their operation.
- (4) The issuers referred to in paragraph (1), items 1) and 7) of this Article may issue electronic money and provide payment services only in accordance with the authorization granted pursuant to the provisions of this Act.
- (5) The right of the persons referred to in paragraph (1), items 3), 4) and 9) of this Article to issue electronic money shall be subject to the regulations governing these persons, their tasks and competences.
- (6) The issuers referred to in paragraph (1), items 5) and 6) of this Article may issue electronic money within the limits of the authorisation granted by the competent authority of the home Member State and in the manner stipulated by this Act and other laws governing their operation.

Reports on the issuance of electronic money

Article 5

- (1) The Croatian National Bank may, for statistical and supervision purposes, prescribe persons obliged to report on the issuance of electronic money, as well as the content of such reports and the manner of and time limits for their submission.
- (2) The persons obliged to report on the issuance of electronic money shall report to the Croatian National Bank in accordance with the regulation referred to in paragraph (1) of this Article.

TITLE II ISSUANCE AND REDEEMABILITY OF ELECTRONIC MONEY

Issuance and redeemability

Article 6

- (1) The electronic money issuer shall issue electronic money without delay at par value on the receipt of funds.
- (2) The electronic money issuer shall, upon request of the electronic money holder, redeem at any moment the monetary value of the electronic money (electronic money redemption) at par value.
- (3) The contract between the electronic money issuer and electronic money holder shall clearly state the conditions for redemption, including any fees relating thereto.
- (4) The provisions of the law governing payment transactions in the part relating to changes in and termination of contracts shall apply *mutatis mutandis* to changes in and the termination of the contract between the electronic money issuer and electronic money holder governing the issuance and redemption of electronic money.
- (5) The electronic money issuer shall inform the electronic money holder of the conditions referred to in paragraph (3) of this Article before the electronic money holder is bound by any offer or contract for the issuance of electronic money.
- (6) The electronic money issuer may charge a fee to the electronic money holder for the redemption of electronic money only if stated in the contract referred to in paragraph (3) of this Article and only in any of the following cases:
 - 1) where the contract provides for a termination date and the electronic money holder terminates the contract before that date;
 - 2) where the electronic money holder requests the redemption of electronic money before the termination of the contract for the issuance of electronic money, except in the case referred to in item 1) of this paragraph; or
 - 3) where the electronic money holder requests the redemption of electronic money after the date of termination of the contract for the issuance of electronic money.
- (7) Where the electronic money issuer is entitled to charge a fee for the redemption of electronic money, such fee shall be proportionate and commensurate with the actual costs incurred by the electronic money issuer.
- (8) The electronic money holder may request redemption of electronic money in whole or in part, where he/she requests it before the termination of the contract for the issuance of electronic money.

(9) Where the electronic money holder requests redemption on or up to one year after the date of termination of the contract, the total monetary value of the electronic money shall be redeemed.

(10) Where the electronic money holder requests redemption on the date of termination of the contract for the issuance of electronic money, or within one year after the date of termination of the contract from an electronic money institution carrying out one or more of the activities listed in Article 11, paragraph (5), item 4) of this Act, and it is known in advance what proportion of funds is to be used as electronic money, all funds requested by the electronic money holder shall be redeemed

(11) The electronic money issuer and electronic money holder other than a consumer, who accepts electronic money may contractually regulate redemption rights in a way other than stipulated by paragraphs (6) to 10) of this Article.

(12) Paragraph (2), paragraph (6), item 3) and paragraphs (9) and 10 of this Article shall also apply to electronic money issuers whose authorisation to issue electronic money, or authorisation to establish a branch has expired, and to legal successors to the legal person, whose authorisation to issue electronic money has expired due to cessation of operation.

Prohibition of the payment of interest to electronic money holders

Article 7

The electronic money issuer may not pay interest or any other benefit for the holding of the electronic money during a length of time.

TITLE III OUT-OF-COURT COMPLAINT PROCEDURES AND CONCILIATION PROCEDURE

Complaints to the electronic money issuer

Article 8

(1) Where an electronic money holder deems that an electronic money issuer does not comply with the provisions of Title II of this Act, he/she may submit a complaint to the electronic money issuer.

(2) The electronic money issuer shall send a reply to the electronic money holder no later than ten days after the date of receiving the complaint.

(3) Where an electronic money issuer from any other State issues electronic money in the territory of the Republic of Croatia through a branch, the complaint referred to in paragraph (1) of this Article shall be submitted to the branch.

(4) The provisions of this Article shall also apply to electronic money issuers whose authorisation to issue electronic money or authorisation to establish a branch has expired, and, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, to legal successors to that legal person.

Complaints to the competent authority

Article 9

(1) Electronic money holders and other legally interested parties, including consumer associations, may file complaints against the electronic money issuer referred to in Article 4, paragraph (1), items 1), 2), 7) and 8) of this Act with a competent authority, where they deem that it has acted contrary to the provisions of Title II this Act.

(2) The competent authority referred to in paragraph (1) of this Article shall be the Croatian National Bank.

(3) Upon receipt of the complaint referred to in paragraph (1) of this Article, the Croatian National Bank shall invite the electronic money issuer to whom the complaint relates to submit its statement and the relevant evidence. The electronic money issuer shall, within the time limit set by the Croatian National Bank, but no longer than ten days after the date of receiving the invitation, submit its statement and the relevant evidence.

(4) Where, in the complaint procedure, the Croatian National Bank establishes that there are grounds to believe that the electronic money issuer has acted contrary to any of the provisions of Title II of this Act and thus committed a violation, it shall initiate violation proceedings.

(5) The Croatian National Bank shall notify the complainant of its findings.

(6) Where the complainant is a consumer, the Croatian National Bank shall inform the complainant in its notification referred to in paragraph (5) of this Article of the possibility to initiate a conciliation procedure before the authority referred to in Article 10 of this Act.

(7) The provisions of this Article shall also apply to complaints against the electronic money issuer referred to in Article 4, paragraph (1), items 5) and 6) of this Act that issues electronic money in the Republic of Croatia through a branch.

(8) Complaints against any of the electronic money issuers referred to in Article 4, paragraph (1), items 5) and 6) of this Act, that issues electronic money directly in the Republic of Croatia can be filed with the Croatian National Bank, which shall notify the competent authority of the home Member State of the complaint.

(9) The provisions of this Article shall also apply to the electronic money issuers referred to in Article 4, paragraph (1), items 1), 2) and items 5) through 8) of this Act, whose authorisation to issue electronic money or authorisation to establish a branch has expired, and, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, to legal successors to that legal person.

(10) The State Inspectorate shall exercise oversight over the application of Article 4, paragraph (2) of this Act in accordance with its competence under law.

Out-of-court redress

Article 10

(1) In all disputes between an electronic money holder that is a consumer and an electronic money issuer arising from the application of the provisions of this Title, a motion for conciliation may be filed with the Conciliation Centre of the Croatian Chamber of Economy.

(2) The conciliation before the Conciliation Centre referred to in paragraph (1) of this Article shall be conducted in accordance with the Rules of Conciliation of the Croatian Chamber of Economy.

(3) The Croatian Chamber of Economy shall, with the approval of the Minister of Finance, render a decision on the costs of conciliation in consumer disputes, determining the amount of fees and remuneration and other costs of the conciliation procedure referred to in paragraph (1) of this Article.

(4) The settlement reached in the conciliation procedure before the Centre referred to in paragraph (1) of this Article shall be considered as an enforcement title.

(5) The funds for the costs of the conciliation before the Conciliation Centre referred to in paragraph (1) of this Article shall be provided in the government budget.

TITLE IV CONDITIONS FOR THE ESTABLISHMENT, OPERATION AND OVERSIGHT OF ELECTRONIC MONEY INSTITUTIONS

Chapter 1 Status provisions

Electronic money institution and its activities

Article 11

(1) An electronic money institution having its registered office in the Republic of Croatia shall be a legal person, which has been authorised by the Croatian National Bank to provide payment services.

(2) Based on the authorisation referred to in paragraph (1) of this Article, an electronic money institution may provide payment services that are linked to the issuance of electronic money.

(3) An authorisation to issue electronic money may also contain an authorisation to provide one or several payment services that are not linked to the issuance of electronic money.

(4) Any authorisations to provide payment services that are not linked to the issuance of electronic money, subsequently obtained by an electronic money institution shall be considered as constituent parts of the authorisation referred to in paragraph (1) of this Article.

(5) Apart from the services referred to in paragraphs (1), (2) and (3) of this Article, an electronic money institution may engage in any of the following activities:

1) the provision of operational services and ancillary services that are closely linked to the issuance of electronic money or the provision of payment services for which it has been authorised;

2) the granting of credits related to the provision of the payment services referred to in Article 2, item 6), indents 4), 5) and 7) of this Act, where it has obtained authorisation with respect to these payment services, referred to in paragraph (3) of this Act, and where the conditions laid down in Article 47 of this Act are met;

3) the operation of the payment system as defined in the law governing payment transactions; and

4) any other activity in accordance with law.

(6) A legal person may enter the activity of the issuance of electronic money and provision of payment services that are linked to the issuance of electronic money after having obtained an authorisation from the Croatian National Bank.

(7) A legal persons may commence with the issuance of electronic money after having obtained the authorisation referred to in paragraph (1) of this Article, and after having entered the activity of the issuance of electronic money in the register of companies.

(8) An electronic money institution may commence with the provision of payment services that are not linked to the issuance of electronic money after having obtained the authorisation referred to in paragraph (3) of this Article and after having entered the activity of the provision of payment services in the register of companies.

Chapter 2

Provision of electronic money issuance and payment services

Application for authorisation to issue electronic money

Article 12

(1) A legal person shall specify in the application for authorisation to issue electronic money the payment services it intends to provide, indicating which of these services are not linked to the issuance of electronic money.

(2) The application for authorisation to issue electronic money shall be accompanied with the following:

- 1) the Articles of Association, deed of establishment or memorandum of the applicant and, where the applicant is entered in the register of companies, a certificate from the register of companies in the form of an original or a certified copy, not older than ninety days;
- 2) a certificate from the register of shareholders (book of shares) or the book of holdings for the applicant, not older than ninety days, in the form of an original or a certified copy, and the data on all indirect holders of qualifying holdings;
- 3) a programme of operations relating to the issuance of electronic money and the intended provision of services, setting out in detail the method of issuing electronic money, a detailed description of all the payment services intended to be provided and the manner of their provision, as well as a detailed description of the necessary infrastructure;
- 4) financial statements for the past two business years and a business plan for the next three business years, including a financial statement projection demonstrating the ability of the applicant to operate in a stable manner on the basis of appropriate organisational, technical and personnel structures, and containing, where appropriate, a projection of outstanding electronic money for the purpose of own funds calculation pursuant to Article 43, paragraph (7) of this Act;
- 5) where appropriate, the method of estimating the portion of funds allocated for the issuance of electronic money for the purpose of own funds calculation pursuant to Article 43, paragraph (6) of this Act;
- 6) where appropriate, evidence of the funds allocated for the initial capital of the electronic money institution to be established;
- 7) a description of measures taken, or intended to be taken to safeguard the funds of an electronic money holder or a payment service user in accordance with Article 48 of this Act, including, where appropriate, the method of estimating the portion of funds allocated for the issuance of electronic money;
- 8) a description of the management framework with well-defined, transparent and consistent lines of powers and responsibilities, a description of the electronic money institution's internal control mechanism which comprises, at a minimum, the functions of risk control, internal audit and compliance with regulations and standards, including the administrative and accounting procedures and a description of procedures for the identification, management and monitoring of as well as reporting on risks, which show that the above stated management framework, the internal control mechanism and risk management procedures are appropriate, adequate, reliable and satisfactory.
- 9) a description of the internal control mechanism put in place by the electronic money institution to comply with the regulations governing the prevention of money laundering and terrorist financing;
- 10) a description of the electronic money institution's organisational structure, including, where appropriate, a description of the intended operation through third natural or legal persons through which the distribution and redemption of electronic money is carried out, as

well as a description of outsourcing arrangements and the branch's participation in a domestic or international payment system;

(11) for a person holding, directly or indirectly, a qualifying holding in the electronic money institution:

1) where such a person is a legal person:

a) the total nominal amount of shares or holdings, and percentage, and, for an indirect holder, the percentage of the initial capital of the electronic money institution;

b) a certificate from the register of companies or other relevant register, not older than ninety days, in the form of an original or a certified copy;

c) for a direct holder of a qualifying holding, audited financial statements for the past two business years;

d) for a direct holder of a qualifying holding, evidence that no bankruptcy proceedings have been initiated or opened against its property;

2) where such person is a natural person:

a) the total nominal value of shares or holdings and the percentage of the initial capital of the electronic money institution;

b) the name, address and other identification data of the holder of a qualifying holding;

c) a curriculum vitae of the holder of a qualifying holding, including a list of all companies, and their addresses, with which the holder or a qualifying holding is or has been employed, of which he/she is or has been a member of the management or supervisory boards, or in which he/she is or has been a holder of a qualifying holding;

d) evidence that the holder of a qualifying holding has not been convicted by a final judgement of a crime against the values protected by international law, or of any of the following crimes:

- against the security of a payment system and its operation;
- relating to the authenticity of documents;
- relating to breaches of official duty;
- relating to terrorist financing; or
- the violations prescribed in this Act.

12) for a member of the management board of an electronic money institution, or an executive director of an electronic money institution having the board of directors:

a) the name, address and other identification data;

b) a statement by that person that no safety measures prohibiting the pursuit of the occupation that is included, in full or in part, in the scope of activity of the applicant have been imposed

on him/her while this prohibition is in force, as well as evidence that this person has not been convicted by a final judgement of a crime against the values protected by international law, or of any of the following crimes:

- against the security of a payment system and its operation;
- relating to the authenticity of documents;
- relating to breaches of official duty;
- relating to terrorist financing; or
- the violations prescribed in this Act.

c) evidence that this person has not held management positions in an undertaking against which bankruptcy or compulsory winding-up proceedings have been opened;

d) a curriculum vitae, including a list of all companies, and their addresses, with which this person is or has been employed and the description of operations under his/her responsibility, and thereby enabling an assessment to be made as to whether he/she possesses the professional qualifications, abilities and experience required for managing the operations relating to the issuance of electronic money and provision of payment services;

13) for a member of the management board of an electronic money institution, or an executive director of an electronic money institution having the board of directors, who, apart from issuing electronic money, engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, the documentation referred to in item 12), indents a), b) and c) of this paragraph; and for persons responsible for managing the operations relating to the issuance of electronic money and/or provision of payment services, also the documentation referred to in item 12), indent d) of this paragraph;

14) evidence of the appointment of a statutory auditor or an audit firm to audit financial statements for the business year for which the application is submitted; and

15) a list of persons having close links with the electronic money institution and the description of the manner in which they are linked.

(3) Exceptionally, the Croatian National Bank shall, upon reasoned request, obtain from the criminal history records the evidence of no criminal record referred to in paragraph (2), item 12), subitem 2), indent b) of this Article.

(4) In the case of a natural person who is not a citizen of the Republic of Croatia, the evidence referred to in item 11), sub-item 2), indent d), or item 12), indent b) of paragraph (2) of this Article shall be the evidence of no criminal record, not older than three months, relating to the crimes which, by their definition, correspond to the crimes stated therein.

(5) Apart from the documents referred to in paragraph (2) of this Article, the Croatian National Bank may, while processing the application, request additional documentation necessary to decide on granting authorisation, including the information prescribed by the law governing the prevention of money laundering and terrorist financing, collected by the persons subject to that law.

(6) Where an electronic money institution, after having obtained authorisation, intends to provide other payment services that are not linked to the issuance of electronic money and not

covered by the authorisation, it shall submit a subsequent application, specifying such payment services and accompany it with the documentation referred to in paragraph (2), items 3) and 4) of this Article, and, where appropriate, the method referred to in paragraph (2), item 5) of this Article and an explanation of the impact of the new payment services on the financial statements, organisational structure, internal control mechanism and funds safeguarding system.

Authorisation to issue electronic money

Article 13

(1) The Croatian National Bank shall grant authorisation to issue electronic money if it assesses from the application referred to in Article 69 of this Act and available information that all of the following conditions are met:

1) in view of the need to ensure the sound and prudent management of the electronic money institution, the holder of a qualifying holding is suitable, especially with respect to the financial strength and good reputation;

2) the person proposed to be a member of the management board or the executive director of the electronic money institution, where it does not also engage in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, has a good reputation and the skills and experience required for the issuance of electronic money and provision of payment services;

3) where the electronic money institution, apart from issuing electronic money, also engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, the person responsible for managing the operations relating to the issuance of electronic money and provision of payment services has a good reputation and the skills and experience required for the provision of payment services;

4) conditions for the operation of the electronic money institutions are provided pursuant to this Act;

5) the provisions of the Articles of Association or any other relevant legal act of the electronic money institution comply with the provisions of this Act and regulations adopted under this Act;

6) where it assesses that, in view of the need to ensure the sound and prudent management of the electronic money institution, this institution has put in place effective and sound governance arrangements comprising a clear organisational structure with well-defined, transparent and consistent lines of powers and responsibilities, effective procedures for establishing, managing, monitoring and reporting on all the risks to which the electronic money institution is or might be exposed, and an adequate internal control mechanism, which comprises, at a minimum, the functions of risk control, internal audit and compliance with regulations and standards, including appropriate administrative and accounting procedures and that the said governance arrangements, internal control mechanism and administrative and accounting procedures are comprehensive and proportionate to the nature, scope and complexity of the electronic money issuance and payment services it intends to provide; and

7) the operations of the electronic money institution are carried out from the territory of the Republic of Croatia.

(2) For the purposes of this Act, a good reputation is the reputation of a person who:

1) has by his/her former professional work and personal integrity achieved good results and earned respect in the previous working environment;

2) has not been convicted by a final judgment of one or more crimes referred to in Article 12 of this Act, or of a foreigner who has not been convicted of one or more crimes which, by definition, correspond to these crimes; and

3) is not subject to investigation or criminal proceedings for a crime prosecuted *ex officio*.

(3) The Croatian National Bank may, prior to granting authorisation to issue electronic money, request the opinions of other competent authorities in order to make a better assessment of the submitted application.

Refusal of an application for authorisation to issue electronic money
Article 14

(1) The Croatian National Bank shall refuse an application for authorisation to issue electronic money where it assesses that:

1) any of the conditions referred to in Article 13 of this Act is not met;

2) the exercise of supervision of the electronic money institution's operation pursuant to the provisions of this Act may be made difficult or prevented due to close links between the electronic money institution and other legal or natural persons;

3) the exercise of supervision of the electronic money institution's operation pursuant to the provisions of this Act may be made difficult or prevented due to close links between the electronic money institution and other legal or natural persons having their registered office or domicile, or habitual residence, in a third country whose regulations prevent the exercise of supervision, or if there are any other reasons why the exercise of supervision would be made difficult or prevented; or

4) it is necessary to establish a separate entity for the activities of the issuance of electronic money and provision of payment services, because the activities referred to in Article 11, paragraph (5), item 4) of this Act, which the electronic money institution engages in or intends to engage in, apart from the issuance of electronic money and provision of payment services, impair or might impair the financial stability of the applicant, or make difficult or might make difficult the exercise of supervision by the Croatian National Bank.

(2) The provisions of paragraph (1) of this Article shall apply *mutatis mutandis* to the refusal of the application referred to in Article 12, paragraph (6) of this Act.

Withdrawal of authorisation to issue electronic money

Article 15

(1) The Croatian National Bank shall withdraw authorisation to issue electronic money:

- 1) where an electronic money institution does not commence issuing electronic money in accordance with the authorisation within twelve months of its granting;
- 2) where an electronic money institution submits a written notification to the Croatian National Bank stating that it no longer intends to issue electronic money;
- 3) where an electronic money institution has not independently issued electronic money for more than six months;
- 4) where an electronic money institution obtains authorisation on the basis of false or inaccurate documentation or false presentation of the data relevant to this electronic money institution's operation.

(2) The Croatian National Bank may withdraw authorisation to issue electronic money:

- 1) where any of the reasons referred to in Article 14, paragraph (1) of this Act arises;
- 2) where an electronic money institution would threaten the stability of a payment system by continuing to issue electronic money or to provide payment services;
- 3) where an electronic money institution, in any manner whatsoever, prevents the supervision of its operation; or
- 4) where an electronic money institution fails to implement supervisory measures imposed by the Croatian National Bank.

Decision to withdraw authorisation to issue electronic money

Article 16

(1) The Croatian National Bank shall without delay submit a decision to withdraw authorisation to issue electronic money to an electronic money institution.

(2) The Croatian National Bank shall submit a decision to withdraw authorisation to issue electronic money to the competent commercial court and issue a press release thereon on its website and in at least one daily newspaper published in the Republic of Croatia.

Expiry of authorisation to issue electronic money

Article 17

(1) Authorisation to issue electronic money shall expire:

1) on the date of adoption of a decision on the winding-up of an electronic money institution;

2) on the date of adoption of a decision on the opening of bankruptcy proceedings against an electronic money institution;

3) on the date of dissolution of a legal person, in the cases where no winding-up or bankruptcy proceedings are conducted;

4) on the date following the date of receipt of authorisation to provide payment services as a payment institution; or

5) on the date of submission of a decision to withdraw authorisation to issue electronic money from an electronic money institution, or on the date specified in the decision to withdraw authorisation to issue electronic money.

(2) The expiry of authorisation to issue electronic money shall result in the expiry of authorisation to provide all payment services.

(3) A legal person whose authorisation to issue electronic money has expired, or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person shall continue to safeguard the funds received in exchange for the issued electronic money pursuant to the provisions of Article 48 of this Act with respect to the entire amount of outstanding electronic money until its redemption.

(4) A legal person whose authorisation to issue electronic money has expired, or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person shall apply Article 6, paragraph 2, paragraph 6, item 3 and paragraphs (9) and (10) of this Act until the full redemption of outstanding electronic money.

(5) The Croatian National Bank shall be competent for the oversight over the application of paragraphs (3) and (4) of this Article in the manner prescribed in Chapter 4 of this Title, except with respect to a legal person whose authorisation has expired pursuant to paragraph (1), item 2) of this Article.

Authorisation to issue electronic money granted to payment institutions

Article 18

(1) A payment institution which intends to issue electronic money shall obtain authorisation to issue electronic money from the Croatian National Bank as an electronic money institution pursuant to this Act.

(2) The authorisation to provide payment services obtained by a payment institution shall expire on the date following the date of obtaining authorisation to issue electronic money.

Authorisation to provide payment services granted to electronic money institutions

Article 19

(1) An electronic money institution which no longer intends to issue electronic money, but intends to continue providing payment services specified in the authorisation to issue electronic money that are not linked to the issuance of electronic money shall submit an application for authorisation to provide such payment services as a payment institution to the Croatian National Bank.

(2) In the case of the application referred to in paragraph (1) of this Article, the Croatian National Bank shall carry out the procedure based on the available documentation and data, but it can require additional documentation pursuant to the provisions on the granting of authorisation to provide payment services of the law governing payment transactions.

(3) The Croatian National Bank may refuse the application referred to in paragraph (1) of this Article where it establishes during the application procedure that:

1) circumstances have arisen due to which the exercise of supervision of this institution's operation pursuant to the provisions of the law governing payment transactions may be made difficult or prevented due to close links between that institution and other legal or natural persons;

2) circumstances have arisen due to which the exercise of supervision of this institution's operation pursuant to the provisions of the law governing payment transactions may be made difficult or prevented due to close links between that institution and other legal or natural persons having their registered office or domicile, or habitual residence, in a third country whose regulations prevent the exercise of supervision, or if there are any other reasons why the exercise of supervision would be made difficult or prevented;

3) the electronic money institution has obtained authorisation on the basis of false or inaccurate documentation or false presentation of the data relevant to this electronic money institution's operation;

4) circumstances have arisen due to which this institution no longer meets the conditions for obtaining authorisation to provide payment services that are not linked to the issuance of electronic money;

5) circumstances have arisen due to which this institution would, by continuing to issue electronic money or to provide payment services, threaten the stability of the payment system;

6) this institution in any manner whatsoever prevents the supervision of its operation;

7) this institution fails to implement the supervisory measures imposed by the Croatian National Bank; or

8) a separate entity for the provision of payment services should be established, because the activities referred to in Article 11, paragraph (5), item 4) of this Act, which this institution engages in or intends to engage in apart from the provision of payment services, impair or

might impair the financial stability of this institution, or make difficult or might make difficult the exercise of supervision by the Croatian National Bank.

(4) The authorisation to issue electronic money shall expire on the date following the date of obtaining authorisation to provide payment services as a payment institution.

(5) Where the institution referred to in paragraph (1) of this Article intends to provide other payment services, apart from the payment services covered by the authorisation to issue electronic money that are not linked to the issuance of electronic money, it shall specify them in the application referred to in paragraph (1) of this Article and submit other documentation prescribed by the law governing payment transactions in the case of submitting an additional application for authorisation to provide payment services.

(6) The procedure for granting authorisation to provide payment services referred to in paragraph 5 of this Article shall be subject to the provisions of the law governing payment transactions.

Approval to acquire a qualifying holding

Article 20

(1) Legal or natural persons, in order to acquire shares or holdings in an electronic money institution on the basis of which they become direct or indirect holders of a qualifying holding in that electronic money institution shall submit an application for prior approval to the Croatian National Bank.

(2) Holders of qualifying holdings shall submit an application for prior approval for each further direct or indirect acquisition of shares or holdings of an electronic money institution on the basis of which their holdings reach or exceed 20 percent, 30 percent or 50 percent of the capital or of the voting rights of the electronic money institution.

(3) Persons who have obtained the prior approval referred to in paragraphs (1) and (2) of this Article shall, within 12 months following the adoption of the decision on the prior approval, complete the acquisition of a qualifying holding and the holding referred to in paragraph (2) of this Article, and notify the Croatian National Bank thereof.

(4) Should persons who have obtained the prior approval referred to in paragraphs (1) and (2) of this Article decide to sell or otherwise dispose of their shares or holdings, so as to reduce their holdings below the threshold for which they obtained prior approval, they shall notify the Croatian National Bank thereof in advance.

(5) Persons who have obtained the prior approval referred to in paragraphs (1) and (2) of this Article, and who have thereafter sold or otherwise disposed of their shares or holdings and thereby reduced their holdings below the threshold for which they obtained prior approval, shall submit an application to the Croatian National Bank for prior approval to acquire a qualifying holding or the holding referred to in paragraph (2) of this Article if, following the expiry of a period of 12 months of the adoption of the decision on the prior approval, they again intend to acquire a qualifying holding or the holding referred to in paragraph (2) of this Article in the amount for which they obtained prior approval.

(6) Legal persons holding qualifying holdings shall notify the Croatian National Bank of their participation in any mergers, acquisitions or divisions of companies, including any other change in their status within eight days of effecting such changes.

(7) Where a person acquires a qualifying holding, a holding of 20 percent or more, or 30 percent or more, or 50 percent or more of the capital or voting rights by inheritance, or in another case when the person did not know, or should not have known that it would exceed, or would have exceeded the stated percentages as in the case of reducing or increasing the electronic money institution's own funds, the person shall submit an application for such an acquisition within 30 days of the day on which that person became aware or should have become aware of such an acquisition.

(8) The provisions of Articles 21 to 25 of this Act shall apply *mutatis mutandis* to the holder of a qualifying holding referred to in paragraph (7) of this Article.

(9) The obligations imposed by this Article shall not relate to a legal or natural person that acquires a qualifying holding or that is a holder of a qualifying holding in an electronic money institution which, apart from issuing electronic money, engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act.

Application to acquire a qualifying holding

Article 21

(1) The application for prior approval to acquire a qualifying holding referred to in Article 20, paragraphs (1) and (2) of this Act shall be accompanied with:

1) for an acquirer of a qualifying holding that is a legal person:

a) the total nominal amount of shares or holdings and the percentage, and for an indirect holder, the percentage of the initial capital of the electronic money institution;

b) a certificate from the register of companies or another relevant register, in the form of an original or a certified copy;

c) audited financial statements for the past two business years;

d) evidence that no bankruptcy proceedings have been initiated or opened against the property of the holder of a qualifying holding;

e) evidence on the availability of funds for the acquisition of a qualifying holding and a description of the method and source of financing;

f) explanation of the objectives to be achieved by the acquisition of a qualifying holding;

g) a description of the acquirer's activities in relation to the acquisition, preceding the application;

2) for an acquirer of a qualifying holding that is a natural person:

a) the data and documentation referred to in Article 12, paragraph (2), item 11), subitem 2) of this Act; and

b) the documents set out in item 1), indents e), f) and g) of this paragraph.

(2) The Croatian National Bank shall, upon reasoned request, obtain from the criminal history records the evidence of no criminal record referred to in Article 12, paragraph (2), item 11), subitem 2), indent d) of this Article.

(3) In the case of a natural person who is not a citizen of the Republic of Croatia, the evidence referred to in Article 12, paragraph (2), item 11), sub-item 2), indent d) of this Act shall be evidence of no criminal record, not older than three months, related to the crimes which, by their definition, correspond to the crimes stated therein.

(4) Where a direct or indirect acquisition of shares or holdings in an electronic money institution involves the acquisition of 50 percent or more of the capital or of the voting rights of an electronic money institution, the acquirer shall also enclose the following with the application:

1) a business strategy of the electronic money institution in which the qualifying holding is acquired;

2) a business plan for the next three business years, including a financial statement projection;

3) planned changes in the organisational, management and personnel structures of the electronic money institution;

4) a plan of activities regarding the creation of new, or amendments to the existing internal bylaws of the electronic money institution; and

5) a plan of activities regarding the changes to the existing information technology or introduction of a new information technology of the electronic money institution.

(5) The Croatian National Bank may, for the purpose of obtaining information necessary to decide on granting prior approval to acquire a qualifying holding, verify the data delivered by the acquirer of a qualifying holding.

(6) Apart from the documents referred to in this Article, the Croatian National Bank may, while deciding on granting prior approval, request additional documentation that it deems necessary to decide on granting approval, including the information prescribed in the law governing the prevention of money laundering and terrorist financing, collected by the persons subject to that law.

Deciding on prior approval to acquire a qualifying holding

Article 22

When deciding on granting prior approval to acquire a qualifying holding, the Croatian National Bank shall appraise the suitability and financial soundness of the acquirer of a qualifying holding according to the following criteria:

- 1) the reputation of the acquirer;
- 2) the reputation, appropriateness of skills and experience of any person who will direct the business of the electronic money institution following the acquisition;
- 3) the financial soundness of the acquirer, in particular with respect to the type of business pursued by the electronic money institution in which a qualifying holding is acquired;
- 4) the ability of the electronic money institution to comply and continue to comply with the provisions of this Act; and
- 5) the existence of reasonable grounds to suspect that, in connection with the acquisition concerned, money laundering or terrorist financing is being or has been committed or attempted, or that the acquisition could increase the risk of money laundering or terrorist financing.

Reasons for refusal of an application to acquire a qualifying holding

Article 23

The Croatian National Bank shall refuse an application for prior approval to acquire a qualifying holding where it assesses:

- 1) that the conditions referred to in Article 22 of this Act are not met; or
- 2) that the acquisition could adversely affect the safety and stability of the electronic money institution's operation,

Legal effects of an acquisition without prior approval

Article 24

(1) Where a person acquires a qualifying holding in an electronic money institution or the holding referred to in Article 20, paragraph (2) of this Act without prior approval of the Croatian National Bank, the Croatian National Bank shall adopt a decision ordering that the person should sell the shares or the holding acquired without the necessary approval, and to submit evidence on the sale and data on the buyer.

(2) The Croatian National Bank shall, by means of the decision referred to in paragraph (1) of this Article, set the time limit for the sale which may not be shorter than three months or longer than nine months.

(3) As of the date of receipt of the decision referred to in paragraph (1) of this Article, the acquirer may not exercise any voting rights or the right to dividends or profits arising from shares or from the holding ordered to be sold, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general meeting, or of the electronic money institution's meeting shall be determined in relation to the own funds reduced by the amount of the shares on the basis of which the acquirer cannot exercise any voting rights, or by the amount of the paid-in capital contribution on the basis of which a holding has been acquired on the basis of which the acquirer cannot exercise any voting rights.

(4) Upon request of the Croatian National Bank, the buyer of the shares or holding ordered to be sold shall provide the information, for whose account he/she has acquired the shares or holding.

(5) Where the Croatian National Bank establishes that the buyer has acquired the shares or holding for the account of the acquirer referred to in paragraph (1) of this Article, it shall adopt a decision ordering the sale of the shares or holding which, together with the shares or holding of the acquirer referred to in paragraph (1) of this Article for which no approval of the Croatian National Bank is necessary, exceed the total percentage that can be acquired without such an approval, within the time limit that cannot be shorter than three or longer than nine months.

(6) As of the date of receipt of the decision referred to in paragraph (5) of this Article, the buyer may not exercise any voting rights or the right to dividends or profits arising from shares or from the holding ordered to be sold, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general meeting, or of the electronic money institution's meeting shall be determined in relation to the own funds reduced by the amount of shares on the basis of which the buyer cannot exercise any voting rights, or by the amount of the paid-in capital contribution on the basis of which a holding has been acquired on the basis of which the acquirer cannot exercise any voting rights.

(7) The decision referred to in paragraphs 1 and 5 of this Act shall be submitted to the electronic money institution.

(8) The electronic money institution shall:

1) ensure that the acquirer referred to in paragraph (1) of this Article or the buyer referred to in paragraph (5) of this Article does not exercise any voting rights or the right to dividends or profits arising from shares or from the holding ordered to be sold, and notify the Croatian National Bank thereof; and

2) from the date of receipt of the decision referred to in paragraph (7) of this Article to the expiry of the prescribed time limits for the sale of shares or of the holding, notify the Croatian National Bank on a monthly basis of any changes of shareholders or the holders of holdings.

Withdrawal of approval to acquire a qualifying holding

Article 25

(1) The Croatian National Bank may withdraw approval to acquire a qualifying holding where:

1) a qualified holder has obtained approval by providing false or inaccurate data which were relevant for taking the decision; or

2) a qualified holder ceases to comply with the conditions referred to in Article 22 of this Act.

(2) In the case referred to in paragraph (1) of this Article the provisions of Article 24 of this Act shall apply *mutatis mutandis*.

Expiry of approval to acquire a qualifying holding

Article 26

(1) If, within the time limit referred to in Article 20, paragraph (3) of this Act, a holder of a qualifying holding does not acquire shares or holdings in an electronic money institution, so as to reach at least 10 percent of the capital or of the voting rights of the electronic money institution, the approval shall expire as a whole.

(2) If, within the time limit referred to in Article 20, paragraph (3) of this Act, a holder of a qualifying holding acquires at least 10 percent of the capital or of the voting rights of the electronic money institution, but does not acquire the approved amount as a whole, the approval shall apply only to the share acquired by the holder, and shall expire with respect to the remainder of the approved amount.

(3) If, within the time limit referred to in Article 34, paragraph (5) of this Act, an acquirer of a qualifying holding has reduced the holding to below the amount for which prior approval was granted, the approval shall apply to the share exceeding the percentage referred to in Article 20, paragraphs (1) and (2) of this Act, which the holder of a qualifying holding holds on the date of expiry of the time limit.

(4) The Croatian National Bank shall adopt a decision establishing the expiry or partial expiry of the approval pursuant to paragraphs (1) to (3) of this Article.

Operation of an electronic money institution in the Republic of Croatia

Article 27

(1) An electronic money institution having its registered office in the Republic of Croatia may provide payment services, for which it has been authorised, in the Republic of Croatia through one or several agents under the conditions prescribed for a payment institution's agent under the law governing payment transactions.

(2) An electronic money institution having its registered office in the Republic of Croatia may not issue electronic money through an agent.

(3) An electronic money institution having its registered office in the Republic of Croatia may distribute and redeem electronic money in the Republic of Croatia through a third natural or legal person.

Operation of an electronic money institution within the territory of another Member State

Article 28

(1) An electronic money institution having its registered office in the Republic of Croatia may, under the conditions laid down in this Act, issue electronic money and provide payment services, which it is authorised to provide in the Republic of Croatia, within the territory of another Member State through a branch or directly.

(2) An electronic money institution having its registered office in the Republic of Croatia may, under the conditions laid down in this Act, distribute and redeem electronic money, but may not issue electronic money within the territory of another Member State through a third natural or legal person.

(3) An electronic money institution having its registered office in the Republic of Croatia may, under the conditions laid down in the law governing payment transactions, provide payment services, which it is authorised to provide in the Republic of Croatia, within the territory of another Member state through an agent.

Issuance of electronic money and provision of payment services within the territory of another Member State through a branch or directly

Article 29

(1) An electronic money institution which intends to issue electronic money and/or provide payment services that are not linked to the issuance of electronic money within the territory of another Member State, through a branch or directly, shall in advance notify the Croatian National Bank thereof, stating the country in which it intends to provide the services. The notification of the intention to issue electronic money or provide payment services through a branch shall be considered as an application for entering the branch in the register referred to in Article 75 of this Act.

(2) An electronic money institution shall accompany the notification referred to in paragraph (1) of this Article with the following:

1) a description of the electronic money issuance service and, where appropriate, a list of payment services intended to be provided in the host Member State that are not linked to the issuance of electronic money;

2) where the issuance of electronic money or provision of payment services is intended to be carried out through a branch, the organisational structure of that branch; and

3) where the issuance of electronic money or the provision of payment services is intended to be carried out through a branch, also a list of names and addresses of the persons who are to be responsible for managing the branch's operations, and other information referred to in Article 12, paragraph (2), item 11), subitem 2), indent d) and the address of the branch in the host Member State.

(3) The Croatian National Bank shall forward the notification and documentation referred to in paragraph (2) of this Article to the competent authority of the host Member State within a month of their receipt, and shall notify the electronic money institution thereof. If a payment institution intends to provide payment services within the territory of another Member State through a branch, the Croatian National Bank shall enter the branch in the register referred to in Article 75 of this Act.

(4) By way of derogation from paragraph (3) of this Article, the Croatian National Bank shall not forward the notification of the intended issuance of electronic money and provision of payment services through a branch in another Member State, nor shall it notify thereof the electronic money institution, where it assesses that there are reasonable grounds to suspect that this involves an act, or attempted act of money laundering or terrorist financing, or that the operation of this electronic money institution's branch would or could increase the risk of money laundering or terrorist financing, on which the Croatian National Bank shall adopt a decision.

(5) An electronic money institution may commence issuing electronic money and providing payment services:

1) through a branch, as of the date when the competent authority of the host Member State receives the notification and documentation referred to in paragraph (2) of this Article and when the Croatian National Bank enters the branch in the register referred to in Article 75 of this Act;

(2) directly, as of the date when the competent authority of the host Member State receives the notification and documentation referred to in paragraph (2) of this Article.

(6) The Croatian National Bank may adopt a decision to remove an electronic money institution's branch from the register if notified by the competent authority of the host Member State that there are reasonable grounds to suspect that this involves an act or attempted act of money laundering or terrorist financing, or that the operation of this electronic money institution's branch increases or could increase the risk of money laundering or terrorist financing.

Distribution and redemption of electronic money within the territory of another Member State

Article 30

(1) An electronic money institution which intends to distribute and redeem electronic money within the territory of another Member State through a third natural or legal person shall in

advance notify the Croatian National Bank thereof, stating the country in which it intends to carry out the distribution and redemption.

(2) The electronic money institution shall accompany the notification referred to in paragraph (1) of this Article with the following:

1) the firm and registered office, or the name and address of the natural or legal person through which it intends to carry out the distribution and redemption;

2) a description of the distribution intended to be carried out in the host Member State through that person;

3) the organisational structure of the person carrying out the distribution and redemption; and

4) a list of names and addresses of the persons responsible for the operation of the legal person carrying out the distribution and redemption.

(3) The Croatian National Bank shall forward the notification and documentation referred to in paragraph (2) of this Article to the competent authority of the host Member State within a month of their receipt, and shall notify the electronic money institution thereof.

(4) The electronic money institution may commence distributing and redeeming electronic money through a third person as of the date when the competent authority of the host Member State receives the notification and documentation referred to in paragraph (2) of this Article.

Operation of an electronic money institution within the territory of a third country

Article 31

(1) An electronic money institution having its registered office in the Republic of Croatia may issue electronic money and provide payment services in a third country exclusively through a branch.

(2) In order to establish a branch in a third country, an electronic money institution shall in advance obtain authorisation from the Croatian National Bank (hereinafter: authorisation to establish a branch in a third country).

(3) An electronic money institution, which intends to establish a branch in a third country shall submit an application for authorisation to establish a branch in a third country, stating the country in which it intends to establish a branch and the services it intends to provide.

(4) An electronic money institution shall accompany the application referred to in paragraph (3) of this Article with the following:

1) a business plan for the next three business years;

2) a programme of operations relating to the branch, including a description of the issuance of electronic money and of the payment services intended to be provided through the branch;

3) the branch's management framework;

4) the branch's organisational structure;

5) a list of names and addresses of the persons who are to be responsible for managing the branch's operations; and

4) an address in the third country at which the Croatian National Bank will be able to obtain documentation on the branch.

(5) The Croatian National Bank may, within a month of receipt of the application referred to in paragraph (3) of this Article, require additional documentation. Where the Croatian National Bank has required additional documentation, the date of receipt of the complete application shall be considered the submission date.

(6) The Croatian National Bank shall refuse the application to establish a branch where it assesses, based on the available information, that:

1) the electronic money institution intending to establish a branch does not have an appropriate organisational, management and personnel structures or an appropriate financial position that enables the provision of the planned electronic money issuance and payment services in a third country;

2) in view of that country's regulations or practices relating to their implementation, it is likely that the exercise of supervision in accordance with the provisions of this Act will be made difficult or prevented.

(7) Where an electronic money institution which has been authorised by the Croatian National Bank to establish a branch in a third country intends to establish a second or any following branch in that country, it shall notify the Croatian National Bank thereof. The provisions of paragraphs (2), (3) and (4) of this Article shall not apply to such cases.

(8) Where an electronic money institution which has been authorised to establish a branch in a third country intends to change any of the information referred to in paragraph (4), items 1), 2), 3), 4) and 6) of this Article, it shall notify the Croatian National Bank thereof at least one month prior to effecting such a change.

(9) The Croatian National Bank may withdraw authorisation to establish a branch in a third country from an electronic money institution:

1) where it is established that the electronic money institution no longer meets the organisational, technical, managerial and personnel requirements relating to the issuance of electronic money or provision of payment services; or

2) where the electronic money institution does not comply with the regulations of the third country in the operation of the branch.

(10) The Croatian National Bank shall withdraw authorisation to establish a branch in a third country from an electronic money institution:

- 1) where the competent authority of the third country has prohibited the electronic money institution from issuing electronic money;
- 2) where the branch does not commence its operation within twelve months of obtaining authorisation;
- 3) where the branch has not issued electronic money for more than six months; or
- 4) where the electronic money institution obtained authorisation to establish a branch on the basis of false or inaccurate data, which were relevant for obtaining authorisation to establish a branch.

Operation of an electronic money institution from another Member State within the territory of the Republic of Croatia

Article 32

- (1) An electronic money institution from another Member State shall be a legal person having its registered office in another Member State which has been authorised by the competent authority to issue electronic money.
- (2) An electronic money institution from another Member State may, under the conditions laid down in this Act, issue electronic money and provide the payment services which it is authorised to provide in its home Member State, within the territory of the Republic of Croatia through a branch or an agent.
- (3) An electronic money institution from another Member State may also, under the conditions laid down in this Act, directly issue electronic money and provide the payment services which it is authorised to provide in its home Member State, within the territory of the Republic of Croatia, on condition that it provides them on a temporary basis.
- (4) For the purposes of paragraph (3) of this Article, an electronic money institution shall be considered to issue electronic money and provide payment services within the territory of the Republic of Croatia on a temporary basis and directly if it does not provide these services on a regular, frequent or continuous basis.
- (5) An electronic money institution from another Member State may, under the conditions laid down in this Act, distribute and redeem electronic money, but may not issue electronic money, within the territory of another Member State through a third natural or legal person.
- (6) An electronic money institution from another Member State may, under the conditions laid down in the law governing payment transactions, provide payment services that are not linked to the issuance of electronic money but which it is authorised to provide in its home Member State, within the territory of the Republic of Croatia through an agent.

Issuance of electronic money and provision of payment services by an electronic money institution from another Member State within the territory of the Republic of Croatia through a branch or directly

Article 33

(1) An electronic money institution from another Member State may commence issuing electronic money and providing payment services directly within the territory of the Republic of Croatia after the Croatian National Bank has received from the competent authority of the home Member State the notification and documentation referred to in Article 29, paragraph (2), item 1) of this Act, relating to the intended issuance of electronic money and provision of payment services within the territory of the Republic of Croatia.

(2) An electronic money institution from another Member State may commence issuing electronic money and providing payment services through a branch within the territory of the Republic of Croatia after the Croatian National Bank has received from the competent authority of the home Member State the notification and documentation referred to in Article 29, paragraph (2) of this Act, relating to the intended issuance of electronic money and provision of payment services, and after the branch of the electronic money institution has been entered in the register kept by the competent authority of the home Member State.

(3) The Croatian National Bank shall notify the competent authority of the home Member State if there are any reasonable grounds to suspect that the intended establishment of a branch by an electronic money institution from the Member State involves an act or attempted act of money laundering or terrorist financing, or that the establishment of a branch could increase the risk of money laundering or terrorist financing.

Distribution and redemption of electronic money by an electronic money institution from another Member State within the territory of the Republic of Croatia

Article 34

(1) An electronic money institution from another Member State may, under the conditions laid down in this Act, distribute and redeem electronic money within the territory of the Republic of Croatia through a third natural or legal person.

(2) An electronic money institution from another Member State may commence distributing and redeeming electronic money within the territory of the Republic of Croatia through a third person after the Croatian National Bank has received from the competent authority of the home Member State the notification and documentation referred to in Article 30, paragraph (2) of this Act, relating to the intended distribution and redemption of electronic money.

(3) The natural or legal person referred to in paragraph (1) of this Article can only be a person having its domicile or registered office in the Republic of Croatia.

Cooperation of competent authorities in the cross-border provision of electronic money issuance and payment services, as well as electronic money distribution

and redemption services

Article 35

(1) The Croatian National Bank and the competent authorities of another Member State shall cooperate in the supervision of electronic money institutions which, directly or through a branch, issue electronic money and provide payment services, or provide payment services through an agent within the territory of the Republic of Croatia or that other Member State.

(2) The Croatian National Bank and the competent authorities of another Member State shall cooperate in the supervision of electronic money institutions which, through a third natural or legal person, distribute and redeem electronic money within the territory of that other Member State.

(3) The Croatian National Bank shall cooperate with the competent authorities of other Member States and communicate to them the information relating to the supervision of an electronic money institution, especially the information related to illegalities committed, or suspected of having been committed. In this regard, the Croatian National Bank shall communicate to another competent authority:

1) upon its request, all the information relating to the exercise of supervision by that competent authority; or

2) on its own initiative, all the information essential for the exercise of supervision by that competent authority.

(4) The provisions of this Article shall be without prejudice to the obligations of the Croatian National Bank under the regulations governing the prevention of money laundering and terrorist financing, especially those related to the supervision and control of the application of these regulations.

Operation of a third-country electronic money institution within the territory of the Republic of Croatia

Article 36

(1) A third-country electronic money institution may issue electronic money within the territory of the Republic of Croatia only through a branch.

(2) A third-country electronic money institution issuing electronic money within the territory of the Republic of Croatia through a branch may provide payment services that are linked to the issuance of electronic money.

(3) A third-country electronic money institution may not provide payment services that are not linked to the issuance of electronic money.

(4) A third-country electronic money institution intending to establish a branch within the territory of the Republic of Croatia shall obtain authorisation to do so from the Croatian

National Bank (hereinafter: authorisation to establish a branch of a third-country electronic money institution).

(5) A branch of a third-country electronic money institution may be entered in the register of companies after obtaining authorisation from the Croatian National Bank.

(6) After granting authorisation to establish a branch of a third-country electronic money institution, the Croatian National Bank shall enter the branch in the register referred to in Article 75 of this Act.

(7) A branch of a third-country electronic money institution, which has obtained the authorisation referred to in paragraph (4) of this Article, may issue electronic money only within the territory of the Republic of Croatia.

(8) A branch of a third-country electronic money institution, which has obtained the authorisation referred to in paragraph (4) of this Article, may, apart from the issuance of electronic money and provision of payment services that are linked to the issuance of electronic money, only engage in the activities referred to in Article 11, paragraph (5) items 1) and 3) of this Act.

Authorisation to establish a branch of a third- country electronic money institution

Article 37

(1) A third-country electronic money institution shall specify in the application for authorisation to establish a branch the payment services linked to the issuance of electronic money that it intends to provide through the branch.

(2) The application for authorisation to establish a branch of a third-country electronic money institution shall be accompanied with the following:

1) evidence that the third-country electronic money institution has been entered in a relevant register in the country where it has its registered office, not older than 90 days, showing its legal form and the date of entry in the register, its own funds and activities, as well as the persons authorised to represent it and the scope of their powers, where the electronic money institution has been established in a country where the entry in such a register is obligatory.

2) the decision of the third-country electronic money institution on establishing a branch;

3) a copy of the deed of establishment, memorandum or Articles of Association of the third-country electronic money institution, certified in accordance with the regulations of the country where the electronic money institution has its registered office, not older than 90 days, showing its legal form and the date of entry in the register, its own funds and activities, as well as the persons authorised to represent it and the scope of their powers;

4) names and addresses of members of the management and supervisory boards of the third-country electronic money institution;

- 5) for persons who are to be responsible for managing the branch's operations, the documentation referred to in Article 12, paragraph (2) item 12) of this Act;
- 6) evidence on the appointment of a certified auditor or an audit firm to audit the branch's financial statements for the business year for which the application is submitted;
- 7) for persons who are direct or indirect holders of qualifying holdings in the third-country electronic money institution, the documentation referred to in Article 12, paragraph (2) item 11) of this Act;
- 8) audit reports of the third-country electronic money institution for the three preceding business years;
- 9) authorisation to issue electronic money granted by the competent authority of a third country, or a statement by that authority that such authorisation is not required, not older than six months;
- 10) a programme of operations of the branch, including a detailed description of the manner of issuing electronic money and providing payment services linked to the issuance of electronic money, and a detailed description of the infrastructure necessary for the branch's operation.
- 11) a business plan for the next three business years, including financial statement projections for both the third-country electronic money institution and the branch, demonstrating their ability to operate in a stable manner on the basis of appropriate organisational, technical and personnel structures;
- 12) a projection of outstanding electronic money for the purpose of own funds calculation pursuant to Article 43, paragraph (7) of this Act;
- 13) a description of measures taken or intended to be taken to safeguard the electronic money holders' funds in accordance with Article 48 of this Act;
- 14) a list of persons having close links with the electronic money institution and a description of the manner in which they are linked;
- 15) authorisation to establish a branch of the electronic money institution granted by the competent authority of a third-country, or a statement by that authority that such authorisation is not required under the regulations of that third country, not older than six months;
- 16) a statement by the third-country electronic money institution that the branch will keep all documentation relating to its operation in the Croatian language and store it at the branch's registered office;
- 17) a description of the branch's organisational structure, including, where appropriate, a description of the intended operation through third natural or legal persons through which the distribution and redemption of electronic money is carried out, as well as a description of outsourcing arrangements and the branch's participation in a domestic or international payment system;

18) for a third-country electronic money institution and a branch, a description of the management framework with well-defined, transparent and consistent lines of powers and responsibilities, a description of the electronic money institution's internal control mechanism which comprises, at a minimum, the functions of risk control, internal audit and compliance with regulations and standards, including the administrative and accounting procedures and a description of procedures for the identification, management and monitoring of, as well as reporting on risks, which show that the above stated management framework, the internal control mechanism and risk management procedures are appropriate, adequate, reliable and satisfactory with respect to the issuance of electronic money and the payment services linked thereto, intended to be provided by the branch; and

19) a description of the internal control mechanism put in place by the branch in order to comply with the requirements arising from the regulations governing the prevention of money laundering and terrorist financing.

(3) In the cases referred to in paragraph (2), items 5) and 7) of this Article, the provisions of Article 12, paragraphs (3) and (4) of this Act shall apply *mutatis mutandis*.

(4) Apart from the documentation referred to in paragraph (2) of this Act, the Croatian National Bank may, while processing the application, request additional documentation that it deems necessary to decide on granting authorisation to establish a branch, including the information prescribed by the law governing the prevention of money laundering and terrorist financing, collected by the persons subject to that law.

(5) The Croatian National Bank shall refuse an application for authorisation to establish a branch of a third-country electronic money institution where it assesses, on the basis of the available data and documentation enclosed with the application for authorisation to establish a branch, that:

1) the third-country electronic money institution and its branch do not meet the financial, managerial, organisational, personnel or technical requirements for operation in accordance with the provisions of this Act; or

2) in view of the need to ensure the sound and prudent management of the electronic money institution and the branch, this institution has not put in place effective and sound governance arrangements comprising a clear organisational structure with well-defined, transparent and consistent lines of powers and responsibilities, effective procedures for the identification, management and monitoring of, as well as reporting on all the risks to which the electronic money institution and the branch are or might be exposed, and does not have an adequate internal control mechanism, which comprises, at a minimum, the functions of risk control, internal audit and compliance with regulations and standards, including appropriate administrative and accounting procedures, or that the said governance arrangements, internal control mechanism and administrative and accounting procedures are not comprehensive and proportionate to the nature, scope and complexity of the electronic money issuance and payment services linked to them that the branch intends to provide;

3) the electronic money institution has not been entered in a relevant register in the country where it has its registered office for at least three years or, where the regulations of that country do not require its entering in a relevant register, has not been established for at least three years;

- 4) the exercise of supervision of the branch's operation pursuant to the provisions of this Act may be made difficult or prevented due to close links between the electronic money institution and other legal or natural persons;
- 5) in view of the regulations of the third country in which the electronic money institution has its registered office, or practices relating to their implementation, it is likely that the exercise of supervision in accordance with the provisions of this Act may be made difficult or prevented;
- 6) the conditions for the operation of the branch pursuant to this Act are not provided;
- 7) the persons responsible for managing the branch's operations do not meet the conditions laid down in Article 13, paragraph (1), item 2) of this Act;
- 8) holders of qualifying holdings do not meet the conditions laid down in Article 13, paragraph (1), item 1) of this Act;
- 9) the third country in which the electronic money institution has its registered office does not have regulations governing the prevention of money laundering and terrorist financing, or that such regulations do not ensure effective oversight over the prevention of money laundering and terrorist financing, or that the electronic money institution or the persons referred to in paragraph (2), items 5) and 7) of this Article are in any way connected with money laundering and terrorist financing, or that there are indications for that;
- 10) the Croatian National Bank has not concluded an agreement on cooperation in exercising supervision with the competent authority of the third country in which the electronic money institution establishing a branch has its registered office;
- 11) electronic money institutions having their registered office in the Republic of Croatia are not allowed to establish branches in that third country at least under the same conditions applying to the electronic money institution establishing a branch in the Republic of Croatia;
- 12) the branch has not put in place an adequate internal control mechanism in order to comply with the requirements arising from the regulations governing the prevention of money laundering and terrorist financing.
- 13) the third-country electronic money institution has not been granted authorisation to issue electronic money, which it has been obliged to obtain under the regulations of that third country;
- 14) the third-country electronic money institution has not been granted authorisation to establish a branch, which it has been obliged to obtain under the regulations of that third country; or
- 15) the third-country electronic money institution's own funds are below the amount prescribed in Article 42 of this Act.

(6), Prior to granting authorisation to establish a branch, the Croatian National Bank shall invite a third-country electronic money institution to deposit the amount of funds in accordance with Article 42 of this Act in the account of a credit institution having its

registered office in the Republic of Croatia within the time limit set by the Croatian National Bank. The Croatian National Bank shall refuse an application for authorisation to establish a branch of a third-country electronic money institution where the evidence of the payment made has not been submitted to it within the prescribed time limit. The funds thus paid in shall represent the minimum own funds of the branch.

(7) Where a third-country electronic money institution, after having obtained authorisation to establish a branch of the third-country electronic money institution, intends to provide other payment services that are linked to the issuance of electronic money, but have not been specified in the application for authorisation to establish a branch, it shall notify the Croatian National Bank of these services and the manner of their provision prior to commencing with the provision thereof.

Withdrawal of authorisation to establish a branch from a third-country electronic money institution

Article 38

(1) The Croatian National Bank shall withdraw authorisation to establish a branch from a third-country electronic money institution:

- 1) where the branch does not commence issuing electronic money within six months of granting the authorisation;
- 2) where the branch submits a written notification to the Croatian National Bank stating that it no longer intends to issue electronic money;
- 3) where the branch has not independently issued electronic money for more than six months; or
- 4) where the third-country electronic money institution obtained authorisation to establish a branch on the basis of false or inaccurate data which were relevant for granting the authorisation to establish a branch.

(2) The Croatian National Bank may withdraw authorisation to establish a branch from a third-country electronic money institution:

- 1) where it assesses that any of the reasons referred to in Article 37, paragraph (5) of this Act have arisen;
- 2) where the branch does not operate in accordance with the regulations in force in the Republic of Croatia; or
- 3) where the branch fails to meet its financial obligations in the Republic of Croatia.

Expiry of authorisation to establish a branch of a third-country electronic money institution

Article 39

(1) Authorisation to establish a branch of a third-country electronic money institution shall expire on the date:

- 1) of the opening of bankruptcy proceedings against a branch of the third-country electronic money institution;
- 2) of withdrawing the authorisation from the third-country electronic money institution;
- 3) of the opening of bankruptcy, winding up or other similar proceedings against the third-country electronic money institution;
- 4) of removing the activity of the issuance of electronic money from the register of companies or another relevant register in which the third-country electronic money institution has been entered; or
- 5) of submission of a decision to withdraw authorisation to establish a branch from the third-country electronic money institution.

(2) A branch of a third-country electronic money institution shall notify the Croatian National Bank without delay where the circumstances referred to in paragraph (1), items 2) to 4) of this Article have arisen, and of any change in the status of the third-country electronic money institution.

(3) In the case of expiry of authorisation to establish a branch of a third-country electronic money institution, the provisions of Article 17, paragraphs (3), (4) and (5) of this Act shall apply *mutatis mutandis*.

(4) A branch of a third-country electronic money institution may be removed from the register of companies after it has redeemed the total amount of outstanding electronic money that it had issued.

Application of other provisions of this Act to a branch of a third-country electronic money institution

Article 40

(1) The provisions of Chapters 3 and 4 of this Title shall apply *mutatis mutandis* to a branch of a third-country electronic money institution.

(2) By way of derogation from paragraph (1) of this Article, a branch of a third-country electronic money institution shall, instead of the reporting obligation referred to in Article 70, paragraph (3), item 3) of this Act, without delay notify the Croatian National Bank of any change of the holders of qualifying holdings in a third-country electronic money institution that was known or should have been known to the management board of the third-country electronic money institution or to the person responsible for managing the operations of the branch.

(3) The Croatian National Bank may prescribe in detail the regulations on the establishment and operation of a branch of a third-country electronic money institution, on submitting reports to the Croatian National Bank, the expiry of authorisation to establish such a branch, as well as on the manner of application of the provisions of paragraph (1) of this Article to a branch of a third-country electronic money institution.

Supervision of a branch of a third-country electronic money institution by the competent authority of that third country

Article 41

By way of derogation from Article 56, paragraph (1) of this Act, an on-sight examination of operations of a branch of a third-country electronic money institution may also be carried out by the competent authority of the third country provided that:

- 1) the agreement referred to in Article 73 of this Act has been concluded between the Croatian National Bank and this authority;
- 2) this authority has requested the Croatian National Bank to carry out an on-site examination for the purposes of that authority; and
- 3) the Croatian National Bank instructs that authority to carry out the requested on-site examination independently.

Chapter 3

Operation of electronic money institutions

Initial capital of electronic money institutions

Article 42

- (1) The initial capital of an electronic money institution shall amount to at least HRK 2,600,000.00.
- (2) The minimum initial capital referred to in paragraph (1) of this Article shall be paid in cash.

Own funds of electronic money institutions

Article 43

(1) In order to ensure its safe and stable operation and to meet obligations to their creditors, electronic money institutions shall maintain an adequate level of own funds.

(2) An electronic money institution's own funds shall never fall below the minimum amount of initial capital prescribed in Article 42, paragraph (1) of this Act.

(3) An electronic money institution's own funds shall at all times be at least equal to the sum of the amounts obtained by applying paragraphs (4) and (9) of this Article.

(4) The own funds of an electronic money institution for the activity of issuing electronic money shall amount to at least 2% of the average outstanding electronic money.

(5) For the purposes of this Act, the average outstanding electronic money shall be the average total amount of financial liabilities of an electronic money issuer related to the electronic money in issue at the end of each calendar day over preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month.

(6) Where an electronic money institution, apart from issuing electronic money, also provides payment services that are not linked to the issuance of electronic money, or engages in any other activity referred to in Article 11, paragraph (5), item 4) of this Act, and the amount of outstanding electronic money is unknown in advance, the own funds referred to in paragraph (4) of this Article shall be calculated on the basis of the portion of funds assumed to be used for the issuance of electronic money, which can be reasonably estimated on the basis of historical data.

(7) Where an electronic money institution has not completed a sufficient period of business to calculate the outstanding electronic money in accordance with paragraphs (5) and (6) of this Article, its own funds requirements shall be calculated on the basis of projected outstanding electronic money evidenced by its business plan.

(8) The Croatian National Bank may order the correction of the estimated portion of funds assumed to be used for the issuance of electronic money referred to in paragraph (6) of this Article and the correction of the projected outstanding electronic money evidenced by the business plan referred to in paragraph (7) of this Article, if it assesses that they are unrealistic.

(9) In regard to the provision of payment services that are not linked to the issuance of electronic money, the own funds of an electronic money institution shall be calculated in the manner prescribed by the regulations on payment transactions governing the calculation of payment institutions' own funds.

(10) An electronic money institution may not include in the calculation of own funds the items included in the calculation of other prescribed own funds where:

a) the electronic money institution belongs to the same group as another electronic money institution, a credit institution, a payment institution, an investment company, an asset management company or an insurance and reinsurance undertaking; and

b) the electronic money institution carries out activities other than the issuance of electronic money.

(11) Regarding the calculation of own funds, the Croatian National Bank shall prescribe the characteristics and types of items to be included in the calculation of own funds and the method and extent of inclusion of individual items in the calculation of individual components of own funds, and it may also prescribe the granting of approvals for the extent of inclusion of individual items in the calculation of individual components of own funds, as well as conditions for and the method of estimating and projecting the portion of funds referred to in paragraphs (6) and (7) of this Article.

Issuance of electronic money

Article 44

Electronic money institutions shall without delay exchange all funds received from electronic money holders for electronic money.

Prohibition from accepting deposits

Article 45

(1) An electronic money institution may not accept deposits or any other repayable funds from the public in terms of the law governing the operation of credit institutions.

(2) For the purposes of this Act, funds received by an electronic money institution from an electronic money holder in exchange for electronic money shall not constitute deposits or any other repayable funds from the public in terms of the law governing the operation of credit institutions.

Electronic money institution's accounts

Article 46

When an electronic money institution provides payment services which are not linked to the issuance of electronic money but which include operating payment accounts, these accounts may be used exclusively for payment transactions; the funds received for that purpose shall not be considered as deposits or any other repayable funds from the public in terms of the law governing the operation of credit institutions.

Granting of credits

Article 47

(1) An electronic money institution may grant credits in connection with the provision of the payment services that are not linked to the issuance of electronic money referred to in Article 2, item 6) indents 4), 5) and 7 of this Act, only if all of the following conditions are met:

- 1) a credit has been granted exclusively as an ancillary service in connection with the execution of a payment transaction;
 - 2) a credit which has been granted as an ancillary service in connection with the execution of a payment transaction and executed pursuant to the right to provide payment services within the territory of another Member State is to be paid off within a period no longer than twelve months;
 - 3) a credit has not been granted from the funds of payment service users received by the payment institution and held for the execution of payment transactions; and
 - 4) the own funds of the electronic money institution, as assessed by the Croatian National Bank, are at all times appropriate with regard to the total amount of the credit granted.
- (2) An electronic money institution may not grant credits from the funds received in exchange for the issued electronic money.

Safeguarding of electronic money holders' funds

Article 48

- (1) An electronic money institution shall safeguard the funds received from electronic money holders in exchange for the issued electronic money in the amount of outstanding electronic money in the manner prescribed in paragraph (5) or (7) of this Article.
- (2) The amount of the issued outstanding electronic money shall be calculated at the end of each business day.
- (3) Where the funds referred to in paragraph (1) of this Act have not been received in cash, the electronic money institution shall include these funds in the calculation of outstanding electronic money at the end of the business day on which these funds are credited to its payment account, or, if appropriate, at the end of the business day on which these funds are otherwise made available to the electronic money institution. In both cases, these funds are included in the calculation no later than the end of the fifth business day after the issuance of electronic money.
- (4) Electronic money institutions shall keep all the funds of electronic money holders received in exchange for the issued electronic money separate from the funds of other natural or legal persons.
- (5) An electronic money institution shall:
 - 1) deposit the funds in the amount of the issued outstanding electronic money in a separate account with a credit institution having its registered office in the Republic of Croatia;
 - 2) deposit the funds in the amount of the issued outstanding electronic money in a separate account with a credit institution having its registered office in a Member State; or

3) invest such funds in low-risk types of assets.

(6) The funds of the electronic money holders referred to in paragraph (5) of this Article shall not be included in an electronic money institution's winding-up or bankruptcy estate, nor may they be subject to execution relating to claims against the electronic money institution.

(7) An electronic money institution shall cover the funds in the amount of the issued outstanding electronic money by an insurance policy from an insurance company or a credit institution's guarantee, provided that this insurance company or credit institution does not belong to the same group as the electronic money institution itself. The contracted insurance policy or guarantee must be payable should the electronic money institution be unable to meet its financial obligations arising from the provision of services related to the issuance of electronic money.

(8) Where an electronic money institution receives funds from electronic money holders, of which a portion is to be used for the issuance of electronic money, and the remaining portion for other activities it engages in, other than the issuance of electronic money, it shall safeguard the portion of funds received in exchange for the issued outstanding money in the manner referred to in paragraph (5) or (7) of this Article. If that portion is variable or unknown in advance, the electronic money institution shall safeguard the portion assumed to be used for the issuance of electronic money, provided that such a portion can be reasonably estimated on the basis of historical data.

(9) The Croatian National Bank may order the correction of the estimated portion of funds assumed to be used for the issuance of electronic money referred to in paragraph (8) of this Article if it assesses that this estimate is unrealistic.

(10) An electronic money institution shall safeguard the funds received from payment service users for the execution of payment transactions that are not linked to the issuance of electronic money in accordance with the regulations on payment transactions governing the safeguarding of funds.

(11) The Croatian National Bank shall prescribe the characteristics of the types of assets referred to in paragraph (5) item 3) of this Article.

Business books and financial statements

Article 49

(1) Unless otherwise provided for in this Act, an electronic money institution shall keep business books, other business documentation and records, evaluate assets and liabilities and prepare and publish annual financial statements in accordance with applicable regulations and professional standards.

(2) An electronic money institution shall keep business books and prepare financial statements for the electronic money issuance and payment services separate from those for the services referred to in Article 11, paragraph (5), items 1), 3) and 4) of this Act.

(3) The Croatian National Bank may prescribe in detail the manner of keeping business books and content of the reports referred to in paragraph (2) of this Article.

Storing of bookkeeping documents

Article 50

An electronic money institution shall store bookkeeping documents and other documentation related to this Title in accordance with applicable regulations and professional standards, but for no less than five years.

Audit requirements

Article 51

(1) An electronic money institution shall have the annual financial statements and consolidated financial statements, referred to in Article 49 of this Act, audited for each business year.

(2) An electronic money institution shall, within fifteen days of receipt of an audit report and at the latest within four months of expiry of the business year to which the annual financial statements relate, submit the following to the Croatian National Bank:

- 1) the audit report on annual financial statements, including these financial statements;
- 2) the audit report on consolidated annual financial statements, including these consolidated financial statements, where appropriate; and
- 3) annual and consolidated annual reports, in accordance with the regulations governing the content of such reports.

(3) For the purposes of paragraph (1) of this Article, a business year shall correspond to a calendar year.

(4) The persons carrying out the audit referred to in paragraph (1) of this Article shall without delay, notify the Croatian National Bank of the following:

- 1) established illegalities or facts and circumstances which could in any way jeopardise the continued operation of the electronic money institution; and
- 2) the circumstances which have led to the withdrawal of authorisation to issue electronic money.

(5) The persons carrying out the audit of an electronic money institution shall notify in writing the Croatian National Bank of any of the facts referred to in paragraph (4) of this Article of

which they became aware while auditing the financial statements of an undertaking closely linked with that electronic money institution.

(6) The submission to the Croatian National Bank of the information referred to in paragraphs (4) and (5) of this Article shall not constitute a violation of the auditor's duty to protect the confidentiality of information under the law governing audit or under the contract.

Assessment for the purposes of the Croatian National Bank

Article 52

(1) The Croatian National Bank may, for its own purposes adopt a decision ordering an electronic money institution to have a special audit carried out, taking into account the size of the electronic money institution or the type, scope or complexity of its activities.

(2) The special audit referred to in paragraph (1) of this Article may relate to providing an assessment by an audit firm of one or more of the following:

- 1) compliance with the risk management rules;
- 2) the operations of the risk control function, the compliance function and the internal audit function;
- 3) the state of the IT system and the adequacy of the IT system management; and
- 4) the regularity, accuracy and completeness of the reports submitted to the Croatian National Bank.

(3) The assessment referred to in paragraph (2) of this Article shall be descriptive and shall range from 'completely satisfactory' to 'completely unsatisfactory' (completely satisfactory, satisfactory, partly satisfactory, unsatisfactory, and completely unsatisfactory).

(4) The Croatian National Bank may require the audit firm to provide additional information concerning the special audit carried out.

(5) Where the Croatian National Bank establishes that the assessment has not been made in accordance with this Act, subordinate legislation adopted under this Act, the law governing audits and rules of the auditing profession or where, in the course of the supervision of the electronic money institution's operation or in any other way, it establishes that the assessment is not based on true and objective facts, it may:

- 1) require the auditor to correct or supplement the assessment; or
- 2) refuse the assessment and require the electronic money institution to obtain an assessment by certified auditors of another audit firm at the expense of the electronic money institution.

(6) The refusal of the assessment referred to in paragraph (2) of this Article shall not result in the refusal of the audit report on the electronic money institution's annual financial statements for that year.

(7) The Croatian National Bank may prescribe in detail the content of the audit for the purposes of the Croatian National Bank.

Outsourcing

Article 53

(1) An electronic money institution may outsource some of its operational activities. It shall notify the Croatian National Bank of the intended externalisation prior to concluding a contract with an outsourcing service provider.

(2) By way of derogation from paragraph (1) of this Article, where an electronic money institution intends to outsource materially important operational activities, it shall, within an appropriate time limit prior to concluding a contract with an outsourcing service provider, notify the Croatian National Bank thereof and submit the documentation proving that the conditions referred to in paragraphs (4) of this Article are met.

(3) Materially important operational activities shall be the activities which, if performed incorrectly or not at all, would significantly impair:

1) the legality of the electronic money institution's operation;

2) its financial stability;

3) the continuity in meeting the conditions based on which it has been granted authorisation;
or

4) the soundness or continuity of the electronic money issuance and payment services that it provides.

(4) An electronic money institution shall ensure that the intended outsourcing of materially important operational activities does not impair:

1) the quality of the electronic money institution's internal control mechanism; and

2) the exercise of supervision by the Croatian National Bank.

(5) An electronic money institution shall ensure that the Croatian National Bank can carry out on-site examination at the location where the services are provided, that is, at the outsourcing service provider's premises, and it shall ensure access to the outsourcing-related documentation and data possessed by the outsourcing service provider.

(6) The Croatian National Bank shall adopt a decision prohibiting an electronic money institution from outsourcing its materially important operational activities where it assesses that such outsourcing:

- 1) threatens the legality of the payment institution's operation;
 - 2) results in transferring the liability from the responsible persons of the electronic money institution to other persons;
 - 3) changes the relationship and obligations of the electronic money institution to the electronic money holders or payment service users, as defined in this Act or the law governing payment transactions; or
 - 4) changes the conditions under which the electronic money institution has been granted authorisation to issue electronic money or provide payment services.
- (7) The Croatian National Bank may prescribe in detail the outsourcing of an electronic money institution's operational activities.

Liability of an electronic money institution

Article 54

- (1) An electronic money institution shall be fully liable to third parties for the acts of the agents through which it provides payment services, natural or legal persons through which it carries out the distribution and redemption of electronic money and outsourcing service providers in connection with the issuance of electronic money and provision of payment services.
- (2) An electronic money institution may not exclude or limit the liability referred to in paragraph (1) of this Article.

Governance arrangements and risk management

Article 55

- (1) An electronic money institution shall establish and implement effective and sound governance arrangements, proportionate to the nature, scope and complexity of the operations it performs, comprising:
 - 1) a clear management framework with well-defined, transparent and consistent lines of powers and responsibilities within the electronic money institution;
 - 2) efficient risk management, in particular as concerns operational risk; and
 - 3) an appropriate internal control mechanism, comprising, at a minimum, the functions of risk control, internal audit and compliance with regulations and standards, including the appropriate administrative and accounting procedures.

(2) The Croatian National Bank may prescribe in detail the governance arrangements referred to in paragraph (1) of this Article.

Chapter 4 Supervision of electronic money institutions

Supervision of electronic money institutions

Article 56

(1) The Croatian National Bank shall exercise supervision of electronic money institutions.

(2) The supervision referred to in paragraph (1) of this Article shall be the verification of whether an electronic money institution operates in accordance with the provisions of this Act and regulations adopted under this Act, as well as of the law governing payment transactions and regulations adopted under that law, with respect to the issuance of electronic money and provision of payment services, as well as its activities referred to in Article 11, paragraph (5), items 1) and 2) of this Act.

(3) Within the supervision referred to in paragraph (1) of this Article, the Croatian National Bank may verify whether the part of an electronic money institution's operations referred to in Article 11, paragraph (5), item 4) of this Act affects or might affect its financial stability, or makes difficult the exercise of supervision.

(4) In establishing the frequency and intensity of the supervision referred in paragraph (1) of this Article, the Croatian National Bank shall take into account the type, scope and complexity of the activities carried out by an electronic money institution and the risks it is exposed to in its operation.

(5) Other supervisory authorities may also exercise supervision of the operation of electronic money institutions in accordance with their powers under law, and within their competence.

(6) Where another supervisory authority is competent for the supervision of an electronic money institution, the Croatian National Bank may participate in the supervision of that institution with the respective supervisory authority, or may require from that supervisory authority the data and information necessary for the supervision of the electronic money institution in question.

(7) The Croatian National Bank may prescribe in detail the conditions for and the manner of exercising supervision and imposing measures, and the responsibilities of the electronic money institution's bodies in the course of and following supervision.

(8) Electronic money institutions shall pay a supervision fee to the Croatian National Bank, whose calculation basis, amount, calculation and payment methods shall be prescribed by the Croatian National Bank. The criterion for determining the amount of the fee may be the type of payment services provided by the electronic money institution, the minimum own funds that the electronic money institution is required to maintain, the volume of issued electronic money, the volume of executed payment transactions, the number of agents through which the

electronic money institution provides payment services or the number of third natural or legal persons through which it carries out the distribution and redemption of electronic money, or it may be a combination of two or several of these criteria.

Manner of exercising supervision of electronic money institutions

Article 57

(1) The Croatian National Bank shall exercise supervision of electronic money institutions by:

1) collecting and analysing reports and information that payment institutions are required to submit to the Croatian National Bank pursuant to this Act and other laws, as well as regulations adopted under these laws, and by ongoing monitoring of their operation;

2) carrying out on-site examinations of the operation of electronic money institutions, all their branches, third natural or legal persons through which they carry out the distribution and redemption of electronic money, agents through which they provide payment services and outsourcing service providers; and

3) imposing supervisory measures.

(2) The supervision referred to in paragraph (1), item 1) of this Article shall be exercised by the employees of the Croatian National Bank.

(3) The supervision referred to in paragraph (1), item 2) of this Article shall be exercised by the employees of the Croatian National Bank authorised by the Governor of the Croatian National Bank (hereinafter: authorised persons). Exceptionally, the Governor of the Croatian National Bank may authorise other professionally qualified persons to carry out on-site examinations.

(4) The Croatian National Bank shall submit a notification of an on-site examination to an electronic money institution at least eight days prior to the beginning of the on-site examination. Exceptionally, an authorised person may submit the notification of an on-site examination no later than the day before the beginning of the on-site examination. The notification shall include the subject of the on-site examination and information on what the payment institution subject to the on-site examination shall prepare for authorised persons for carrying out the onsite examination.

(5) An electronic money institution shall enable authorised persons to carry out an on-site examination and ensure adequate conditions for an undisturbed performance of the on-site examination.

(6) An electronic money institution that uses computer data processing shall, upon request of authorised persons, ensure adequate conditions and means for the examination of business books and records, and shall submit to the authorised persons documentation that provides a complete description of the accounting system's operation.

(7) Within the supervision referred to in paragraph (1), items 1) and 2) of this Article., the Croatian National Bank may require from the members of an electronic money institution's management board, or executive directors of that electronic money institution where it has the board of directors, or, where that institution engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, from a person responsible for managing the operations relating to the issuance of electronic money and/or provision of payment services, to prepare a written report on all the issues necessary for exercising the supervision or to submit a statement on these issues within a time limit no shorter than three days.

On-site examination

Article 58

(1) An electronic money institution shall enable authorised persons, upon their request, to carry out an onsite examination at the registered office of the electronic money institution and in other localities in which the electronic money institution or another person with its authorisation carries out operations subject to the supervision of the Croatian National Bank.

(2) An electronic money institution shall enable authorised persons, upon their request, to carry out an examination of business books, business documentation and administrative or business records, as well as an examination of the information technology and related technologies, to the extent necessary for a particular examination.

(3) A payment institution shall submit to authorised persons, upon their request, computer printouts, copies of business books, business documentation and administrative or business records, in a paper form or in the form of an electronic record, on the medium and in the format required by the authorised persons. The electronic money institution shall provide authorised persons with a standard interface enabling access to the database management system used by the electronic money institution, for the purpose of carrying out a computer-aided examination.

(4) The examination of operation referred to in paragraphs (1) and (2) of this Article shall be carried out by authorised persons during the payment institution's working hours. Where necessary because of the scope or nature of the examination, the payment institution shall enable authorised persons to carry out the examination outside its working hours.

Completion of an examination of an electronic money institution

Article 59

(1) A report on examination findings shall be prepared following an examination of the payment institution's operation.

(2) Exceptionally, a report on examination findings shall not be prepared where the examination has been carried out under Article 57, paragraph (1), item 1) of this Act and where no illegalities or weaknesses and deficiencies in the payment institution's operation have been identified that require the imposition of supervisory measures.

Supervisory measures

Article 60

1) The objective of the supervisory measures of the Croatian National Bank shall be to take actions in a timely manner to improve the safety and stability of electronic money institutions' operations and to eliminate illegalities established.

(2) Supervisory measures shall be implemented by means of:

- 1) a memorandum of understanding, or
- 2) a decision.

Memorandum of understanding

Article 61

(1) Following an examination, the Croatian National Bank may conclude a memorandum of understanding with the electronic money institution where it identifies weaknesses or deficiencies in the electronic money institution's operation which do not constitute violations of regulations or where, following the examination, it deems it necessary to give the electronic money institution recommendations or guidelines on the basis of which the electronic money institution is to take actions and procedures to improve its operation.

(2) The Croatian National Bank may propose to an electronic money institution the conclusion of a memorandum of understanding if:

- 1) the payment institution has begun eliminating the weaknesses or deficiencies in the course of, or immediately after the examination;
- 2) the electronic money institution is prepared to commit itself to eliminating the weaknesses or deficiencies within the proposed time limits and in the proposed manner;
- 3) the electronic money institution's past behaviour with regard to measures, objections and instructions of the Croatian National Bank suggests that the payment institution will completely fulfil the commitments to be assumed under the memorandum; or
- 4) the electronic money institution's track record, and the frequency of weaknesses, deficiencies or illegalities established in its operation, suggest that the electronic money institution will in its future operation ensure the legality, safety and stability of operation.

(3) A memorandum of understanding shall lay down:

- 1) the time limit for and the manner of eliminating weaknesses or deficiencies in the electronic money institution's operation; and

2) the time limit and the frequency of the electronic money institution's reporting to the Croatian National Bank on the fulfilment of the commitments assumed under the memorandum of understanding.

*Consequences of a failure to fulfil the commitments taken
under a memorandum of understanding*

Article 62

Where an electronic money institution fails to fulfil the commitments assumed under a memorandum of understanding within the time limit and in the manner laid down in the memorandum, the Croatian National Bank shall adopt a decision to impose supervisory measures.

Decision to impose supervisory measures

Article 63

(1) The Croatian National Bank may adopt a decision to impose supervisory measures on an electronic money institution where in the course of supervision it establishes:

- 1) that by its actions or a failure to perform certain actions the electronic money institution acted contrary to laws and other regulations;
- 2) weaknesses or deficiencies in the electronic money institution's operation which do not constitute a violation of regulations; or
- 3) that it is necessary that the electronic money institution take actions and procedures to improve its operation.

(2) In the decision referred to in paragraph (1) of this Article, the Croatian National Bank shall lay down the time limit within which the electronic money institution is to implement the measures imposed by the decision.

(3) An electronic money institution may, no later than fifteen days prior to the expiry of the time limit referred to in paragraph (2) of this Article, apply for an extension of that time limit by a reasoned request. The Croatian National Bank shall decide on the extension at the latest by the expiry of the time limit laid down in the decision.

Reporting to the Croatian National Bank on the enforcement of decisions

Article 64

(1) In its decision to impose supervisory measures, the Croatian National Bank may also order the electronic money institution to report to the Croatian National Bank within a specified time limit on the implementation of the imposed measures.

(2) The electronic money institution shall, within the time limit referred to in paragraph (1) of this Article, report to the Croatian National Bank on the implementation of the measures and shall enclose relevant evidence.

(3) Where the Croatian National Bank establishes that the measures imposed have not been implemented, or have not been implemented within the time limit and in the manner prescribed by the decision, it may adopt a decision to impose a new supervisory measure on the electronic money institution.

Types of supervisory measures

Article 65

(1) By means of supervisory measures, the Croatian National Bank may:

1) order an electronic money institution to remove from office a member of the management board or an executive director, or where the electronic money institution also engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, the persons responsible for managing the operations relating to the issuance of electronic money and/or provision of payment services, and appoint a new member of the management board or an executive director or a person responsible for managing the operations relating to the issuance of electronic money and/or provision of payment services;

2) temporarily prohibit an electronic money institution from issuing electronic money or providing one or more payment services in the cases referred to in Article 15, paragraph (2) of this Act;

3) temporarily prohibit an electronic money institution from issuing electronic money or providing payment services through a branch or an agent through which it provides payment services;

(4) prohibit an electronic money institution from issuing electronic money and/or providing payment services through a branch or an agent through which it provides payment services, and remove the branch of the electronic money institution or the agent through which it provides payment services from the register referred to in Article 75 of this Act;

5) prohibit an electronic money institution from distributing and/or redeeming electronic money through a third natural or legal person;

6) order an electronic money institution to comply with the conditions on the basis of which it has been granted authorisation to issue electronic money; or

7) impose other supervisory measures.

(2) The Croatian National Bank shall impose the measure referred to in paragraph (1), item 2) of this Article simultaneously with the imposition of another supervisory measure in the duration of no longer than one year. The Croatian National Bank shall without delay notify the competent commercial court of the imposition of this measure.

(3) The Croatian National Bank may order that a separate entity be established for the issuance of electronic money where the payment institution engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act which impair or may impair the financial stability of the electronic money institution or make difficult the exercise of supervision.

(4) Where the own funds of an electronic money institution are lower than the minimum amount of own funds calculated pursuant to Article 43 of this Act, or where the own funds of an electronic money institution are not appropriate with regard to the total amount of the credits granted, the Croatian National Bank may impose one or several of the following measures:

1) order an electronic money institution to adopt and ensure the implementation of a plan of measures to provide for the minimum own funds required under the regulation adopted pursuant to Article 43, paragraph (11) of this Act;

2) order an electronic money institution to adopt and ensure the implementation of a plan of measures to provide for the minimum own funds appropriate with regard to the credits granted; and

3) order an electronic money institution to increase the initial capital referred to in Article 42 of this Act;

4) temporarily prohibit the payment institution from distributing dividends or profits;

5) temporarily prohibit the granting of credits; or

6) temporarily limit the granting of credits.

Exemptions from the required minimum amount of own funds

Article 66

(1) The Croatian National Bank may, based on an evaluation of the risk-management processes, risk loss data or the internal control mechanism of the electronic money institution, require the electronic money institution to hold a minimum amount of own funds which is up to 20 percent higher than the sum of the amounts obtained by applying Article 43 of this Act.

(2) The Croatian National Bank may, based on an evaluation of the risk-management processes, risk loss data or the internal control mechanism of the electronic money institution, allow that electronic money institution to hold own funds which is up to 20% lower than the sum of the amounts obtained by applying Article 43 of this Act.

On-site examination of electronic money institutions having their registered office in the Republic of Croatia and operating in another Member State

Article 67

(1) Where an electronic money institution having its registered office in the Republic of Croatia operates within the territory of another Member State through a branch, or where it provides payment services through an agent, or where it carries out the distribution and redemption of electronic money through a third natural or legal person, the Croatian National Bank or persons that it has authorised may carry out an on-site examination of their operations after having notified in advance the competent body of the host Member State.

(2) The Croatian National Bank may request the competent authority of the host Member State in which the electronic money institution provides its services to carry out an on-site examination of a branch, a third natural or legal persons through which it carries out the distribution and redemption of electronic money, or of an agent through which it provides payment services.

(3) The Croatian National Bank may participate in the on-site examination of a branch of an electronic money institution, a third natural or legal person through which the distribution and redemption of electronic money is carried out or of an agent through which payment services are provided in a Member State, regardless of who carries out the on-site examination

(4) The provisions of paragraphs (1), (2) and (3) of this Article shall also apply where the outsourcing service provider has its registered office within the territory of another Member State.

On-site examination of electronic money institutions having their registered office in another Member State which provide electronic money issuance and payment services in the Republic of Croatia

Article 68

(1) Where an electronic money institution, having its registered office in another Member State, operates in the territory of the Republic of Croatia, the competent authority of the home Member State may:

1) carry out an on-site examination of the operation of the electronic money institution, especially its branches or third natural or legal persons through which it carries out the distribution and redemption of electronic money, or an agent through which it provides payment services, directly or through a person it has authorised, after having notified the Croatian National Bank thereof, or

2) request from the Croatian National Bank, or the person authorised by the Croatian National Bank, to carry out an on-site examination of the operation of a branch of the electronic money institution from that Member State, third natural or legal persons through which the electronic money institution carries out the distribution and redemption of electronic money and an agent through which it provides payment services in the territory of the Republic of Croatia.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may carry out an on-site examination of a branch of an electronic money institution from another Member State, with respect to the application of the provisions of Titles II and III of this Act and provisions on the obligation to inform payment service users and on the rights and obligations in relation to the provision and use of payment services set out in the law

governing payment transactions, as well as an on-site examination of the agent through which the electronic money institution from another Member State provides payment services with respect to the application of the provisions on the obligation to inform payment service users and on the rights and obligations in relation to the provision and use of payment services set out in the law governing payment transactions.

(3) The competent authority of the home Member State may participate in an on-site examination of a branch of an electronic money institution from that Member State, a third natural or legal person through which the electronic money institution carries out the distribution and redemption of electronic money and of an agent through which it provides payment services, regardless of who carries out the on-site examination of their operation.

(4) The provisions of paragraphs (1) and (3) of this Article shall also apply in the case when the outsourcing service provider has its registered office in the territory of the Republic of Croatia.

Supervision of third-country branches of electronic money institutions having their registered office in the Republic of Croatia

Article 69

The Croatian National Bank shall exercise supervision of electronic money institutions having their registered office in the Republic of Croatia, which issue electronic money through branches in a third country.

Reporting to the Croatian National Bank

Article 70

(1) For the purposes of the supervision of electronic money institutions' operation, the Croatian National Bank may prescribe the reports to be submitted by electronic money institutions, their content, the reporting time limits and the manner of their submission.

(2) The Croatian National Bank may prescribe the time limits for drawing up and/or submitting financial statements regarding the issuance of electronic money and provision of payment services for the purposes of the Croatian National Bank, the form and content of such reports and the manner of their submission.

(3) An electronic money institution shall without delay notify the Croatian National Bank of the following:

1) all facts to be entered in the register of companies, i.e. each application for the change of data and each entry of data changes in the register of companies, accompanied with evidence of such entries;

2) all planned changes of members of the management board, or executive directors, or persons responsible for managing the operations relating to the issuance of electronic money and provision of payment services;

3) all planned or effected changes of qualified holders of which the management board, or the executive director, or the person responsible for managing the operations relating to the issuance of electronic money and provision of payment services was aware or should have been aware;

4) all planned changes in the electronic money institution's initial capital of 10 percent or more;

5) any fall in own funds below the minimum amount of own funds prescribed by this Act;

6) the intention to cease, and cessation of issuing electronic money and/or providing payment services, as well as the emergence of circumstances for withdrawal of the authorisation referred to in Article 15 of this Act and for expiry of the authorisation referred to in Article 17 of this Act;

7) the intention to provide, and commencing to provide new payment services linked to the issuance of electronic money, the characteristics of such services and the manner of their provision;

8) the intention to commence, and commencing to distribute and/or redeem electronic money through a third natural or legal person, and any changes in or cessation of such distribution or redemption;

9) all changes in the facts on the basis of which the Croatian National Bank entered into the register referred to in Article 75 of this Act a branch or an agent through which the electronic money institution provides payment services, including the cessation of providing payment services through a branch or an agent;

10) all intended and effected changes relating to the safeguarding of the funds of electronic money holders and payment service users, accompanied with evidence that the change has been effected;

11) any change of the audit firm carrying out the audit in accordance with Articles 51 and 52 of this Act; and

12) any other changes altering the facts on the basis of which the Croatian National Bank has granted its authorisation to issue electronic money.

(4) Electronic money institutions shall report to the Croatian National Bank in accordance with this Act and regulations adopted under this Act.

(5) Upon request of the Croatian National Bank, an electronic money institution shall submit reports and information on all matters relevant for the exercise of supervision or performance of other tasks within the competence of the Croatian National Bank.

Cooperation among the competent authorities in the Republic of Croatia

Article 71

(1) The Croatian National Bank and other supervisory authorities in the Republic of Croatia shall, upon request of a supervisory authority, submit to that authority all information on an electronic money institution necessary for the performance of supervisory tasks in authorisation or approval procedures, or when deciding on other issues within its competence.

(2) The authorities referred to in paragraph (1) of this Article shall notify one another of any withdrawals of authorisations, illegalities and irregularities identified in the course of supervision, if such findings are relevant for the work of the other authority.

(3) The submission of the information and notifications referred to in paragraphs (1) and (2) of this Article shall not constitute a violation of the duty to protect the confidentiality of information.

(4) The authority that receives the information and notifications referred to in paragraphs (1) and (2) of this Article shall protect their confidentiality and may use them exclusively for the purpose for which they have been given, and may make them available to third parties only with the consent of the competent authority which submitted them.

*Exchange of information between the Croatian National Bank and
the competent authorities of Member States*

Article 72

(1) The Croatian National Bank shall cooperate with the competent authorities of other Member States and, where appropriate, with the European Central Bank and the central banks of Member States and other relevant competent authorities in accordance with the legislation of the European Union or the national legislations of Member States applicable to electronic money issuers.

(2) The Croatian National Bank may also exchange information with:

1) the authorities of other Member States competent for the authorisation and supervision of electronic money institutions;

2) the European Central Bank and the national central banks of Member States, in their capacity as monetary and supervisory authorities, and, where appropriate, other public authorities responsible for overseeing payment and financial instrument settlement systems; and

3) other authorities of Member States competent for overseeing electronic money institutions with regard to the implementation of the laws governing the protection of personal data and prevention of money laundering and terrorist financing, etc.

(3) The submission of the information and notifications referred to in paragraphs (1) and (2) of this Article shall not constitute a violation of the duty to protect the confidentiality of information.

(4) The authority that receives the information and notifications referred to in paragraphs (1) and (2) of this Article shall protect their confidentiality and may use the confidential information and notifications it has received exclusively for the purpose for which they have been given, and may make them available to third parties only with the consent of the competent authority which submitted them.

Cooperation with the competent authorities of third countries

Article 73

(1) The Croatian National Bank may conclude an agreement with one or more competent authorities of a third country for the purpose of exercising supervision of the operation of a branch of an electronic money institution having its registered office in the Republic of Croatia and operating in a third country, or of a branch of an electronic money institution having its registered office in a third country which intends to issue electronic money in the Republic of Croatia.

(2) The Croatian National Bank may submit confidential information to authorities or persons from third countries whose position is equal to that of the authorities and persons referred to in Article 72, paragraph (2) of this Act, if all of the following conditions are met:

- 1) mutual exchange of information has been agreed with such persons;
- 2) such authorities or persons are subject to the duty to protect the confidentiality of information in that country;
- 3) the information submitted to the authorities or persons in a third country is to be used only for the purpose for which it has been given; and
- 4) it is guaranteed that the information will be disclosed to third parties only with the express consent of the Croatian National Bank, and
- 5) it is guaranteed that the information submitted by the Croatian National Bank to such authorities or persons, which it has received from the competent authorities of a Member State, will be disclosed to third parties only with the express consent of the authority of the Member State which submitted the information.

Notification of the European Commission

Article 74

(1) The Croatian National Bank shall notify the European Commission of its competences relating to granting authorisation to issue electronic money and exercise supervision of electronic money institutions in accordance with this Act.

(2) The Croatian National Bank shall notify the European Commission of all authorisations to establish branches with registered offices in the Republic of Croatia granted to third-country electronic money institutions.

(3) The Croatian National Bank shall notify the European Commission of the application of Title V of this Act and on the total amount of outstanding electronic money of electronic money institutions under exemption at the annual level as at 31 December each year.

Chapter 5 Register

Registers of electronic money institutions

Article 75

(1) The Croatian National Bank shall maintain a register of electronic money institutions which it has authorised to issue electronic money, their branches and agents through which these institutions provide payment services, a register of exempted electronic money institutions which it has authorised, their third-country branches and agents through which these institutions provide payment services in the Republic of Croatia, and a register of branches of third-country electronic money institutions having their registered office in the Republic of Croatia.

(2) The registers referred to in paragraph (1) of this Article shall contain, for each entity referred to in paragraph (1) of this Article, the electronic money issuance and payment services which it is authorised to provide and its registration number. The Croatian National Bank shall regularly update the registers in accordance with all effected changes.

(3) The registers referred to in paragraph (1) of this Article shall be publicly available and accessible on the website of the Croatian National Bank.

(4) The Croatian National Bank shall prescribe the manner of keeping the registers.

TITLE V

ELECTRONIC MONEY INSTITUTIONS UNDER EXEMPTION

Electronic money institutions under exemption

Article 76

(1) An electronic money institution under exemption shall be the electronic money institution which has been authorised by the Croatian National Bank to issue electronic money under the provisions of this Title.

(2) An electronic money institution under exemption may not issue electronic money in the territory of another Member State.

(3) An electronic money institution under exemption may, apart from the issuance of electronic money and provision of payment services linked to the issuance of electronic money, only provide operational services and ancillary services that are closely linked to the issuance of electronic money.

(4) The initial capital of an electronic money institution under exemption shall amount to at least HRK 260.000,00 and shall be paid in in cash.

(5) The maximum amount of electronic money stored on a payment instrument or in a payment account may not exceed HRK 1,125.00.

(6) The operations of an electronic money institution under exemption shall be managed from the territory of the Republic of Croatia.

A condition for granting authorisation to an electronic money institution under exemption

Article 77

(1) An additional condition for granting authorisation to issue electronic money pursuant to the provisions of this Title shall be that the average outstanding electronic money does not exceed HRK 3,700,000.00.

(2) Where the period of business of an applicant for authorisation to issue electronic money under exemption is not sufficiently long to calculate the average outstanding electronic money, the condition referred to in paragraph (1) of this Article shall be assessed on the basis of projected outstanding electronic money evidenced by its business plan.

(3) The Croatian National Bank may order the correction of the projected outstanding electronic money evidenced by the business plan referred to in paragraph (2) of this Article if it assesses that it is unrealistic.

(4) If the applicant fails to meet the condition referred to in paragraph (1) of this Article, the Croatian National Bank shall refuse the application by a decision.

Application of the provisions of this Act relating to electronic money institutions having their registered office in the Republic of Croatia

Article 78

Unless otherwise prescribed in Articles 76 and 77 of this Act, the provisions of Title IV of this Act, governing the status, provision of electronic money issuance and payment services, operation and supervision of electronic money institutions having their registered office in the

Republic of Croatia, when they operate in the territories of the Republic of Croatia and of a third country, shall apply *mutatis mutandis* to electronic money institutions under exemption.

Transformation of an electronic money institution under exemption to an electronic money institution

Article 79

(1) An electronic money institution under exemption, which intends to engage in an activity other than the activities set forth in Article 76, paragraph (3) of this Act, or which intends to increase the amount of outstanding electronic money above the amount referred to in Article 76, paragraph (5) of this Act, or which increases or intends to increase the amount of the average outstanding electronic money above the amount prescribed in Article 77 of this Act shall submit an application to the Croatian National Bank for authorisation to issue electronic money as an electronic money institution.

(2) Paragraph (1) of this Article shall also apply to an electronic money institution under exemption, which intends to issue electronic money in a Member State.

(3) An electronic money institution under exemption shall, in case of an increase in the amount of average outstanding electronic money above the amount prescribed in Article 77 of this Act, submit the application referred to in paragraph (1) of this Act within 30 days of such an increase.

(4) The electronic money institution under exemption referred to in paragraph (1) of this Article shall, in the application referred to in paragraphs (1) and (2) of this Article, indicate the reason for its submission and enclose the application with all the data and documentation referred to in Article 12 of this Act.

(5) By way of derogation from paragraph (4) of this Article, an electronic money institution under exemption does not have to submit the data and documentation that have already been submitted to the Croatian National Bank and that are relevant at the time of submitting the application.

(6) With regard to the application referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall be authorised to request other documentation pursuant to the provisions of Article 12 of this Act.

(7) The Croatian National Bank may refuse the application referred to in paragraph (1) of this Article where it establishes during the application procedure that:

1)) circumstances have arisen due to which the exercise of supervision of this institution's operation may be made difficult or prevented due to close links between that institution and other legal or natural persons;

2) circumstances have arisen due to which the exercise of supervision of this institution's operation may be made difficult or prevented due to close links between that institution and other legal or natural persons having their registered office or domicile, or habitual residence,

in a third country whose regulations prevent the exercise of supervision, or that there are any other reasons why the exercise of supervision would be made difficult or prevented;

3) the electronic money institution under exemption has obtained authorisation on the basis of false or inaccurate documentation or false presentation of the data relevant to its operation;

4) the electronic money institution under exemption does not meet the conditions for obtaining authorisation to issue electronic money and/or provide payment services as an electronic money institution;

5) circumstances have arisen due to which this institution would, by continuing to issue electronic money or to provide payment services, threaten the stability of the payment system;

6) this institution in any manner whatsoever prevents the supervision of its operation; or

7) this institution fails to implement the supervisory measures imposed by the Croatian National Bank.

(8) Authorisation to issue electronic money under exemption shall expire on the date following the date of obtaining authorisation to issue electronic money as an electronic money institution.

(9) Where, in the case referred to in paragraph (3) of this Article, an electronic money institution under exemption fails to submit the application within the prescribed time limit, the Croatian National Bank shall withdraw authorisation to issue electronic money as an electronic money institution from that institution.

TITLE VI

DECISION-MAKING METHODS AND PROCEDURES OF THE CROATIAN NATIONAL BANK

Application of procedural provisions

Article 80

(1) Unless otherwise provided for in this Act, the provisions of the General Administrative Procedure Act shall apply to the decision-making procedures of the Croatian National Bank.

(2) It shall not be possible to require restitution in an administrative procedure carried out by the Croatian National Bank.

Decision-making

Article 81

In its procedures, the Croatian National Bank shall decide without an oral hearing.

Decisions

Article 82

(1) Decisions adopted by the Croatian National Bank on matters within its competence must be written and explained.

(2) No complaint against the decisions referred to in paragraph (1) of this Article shall be allowed, but administrative proceedings may be initiated against them.

Liability for damage

Article 83

Employees of the Croatian National Bank, members of the Council of the Croatian National Bank or any person authorised by the Croatian National Bank shall not be liable for any damage that may arise in the performance of their duties under this Act, the Act on the Croatian National Bank or regulations adopted under these acts, unless it is proved that they have acted or failed to act intentionally or as a result of gross negligence.

Time limits

Article 84

(1) Within three months of the submission of a complete application, the Croatian National Bank must decide on an application by an electronic money institution for authorisation to issue electronic money, an application by an electronic money institution under exemption for authorisation to issue electronic money, and on an application for authorisation to establish a branch of a third-country electronic money institution.

(2) Except in the case referred to in paragraph (1) of this Article, the Croatian National Bank shall decide on all other applications within two months of the submission of a complete application.

TITLE VII

PENAL PROVISIONS

Violations by electronic money issuers

Article 85

(1) The electronic money issuer referred to in Article 4, paragraph (1) of this Act, or the legal person referred to in Article 101, paragraph (1) or paragraph (4) of this Act shall be fined between HRK 25,000.00 and HRK 250,000.00:

1) if it acts contrary to the regulation adopted under Article 5 of this Act;

2) if it acts contrary to Article 8, paragraph (2) of this Act; or

3) if it fails, at the invitation of the Croatian National Bank, to submit its statement and the relevant evidence within the time limit specified in the invitation (Article 9, paragraph (3) of this Act).

(2) A responsible person of the electronic money issuer referred to in Article 4, paragraph (1) of this Act, or a responsible person of the legal person referred to in Article 101, paragraph (1) or paragraph (4) of this Act shall also be fined between HRK 3,000.00 and HRK 30,000.00 for any of the violations referred to in paragraph (1) of this Article.

Article 86

(1) The electronic money issuer referred to in Article 4, paragraph (1) of this Act, or the legal person referred to in Article 101, paragraph (1) or paragraph (4) of this Act shall be fined between HRK 50,000.00 and HRK 500,000.00:

1) if it issues electronic money or provides payment services contrary to Article 4 of this Act;

2) if it agrees by contract on the redeemability of electronic money contrary to Article 6 of this Act;

3) if it fails to issue electronic money without delay upon receipt of funds, or if it issues electronic money at a value other than the par value (Article 6, paragraph (1) of this Act);

4) if it fails to redeem the monetary value of the electronic money in accordance with Article 6, paragraphs (2), (6), (7), (8), (9) or (10) of this Act;

5) if it acts contrary to Article 6, paragraph (5) of this Act; or

6) if it acts contrary to Article 7 of this Act.

(2) A responsible person of the electronic money issuer referred to in Article 4, paragraph (1) of this Act, or a responsible person of the legal person referred to in Article 101, paragraph (1) or paragraph (4) of this Act shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

Violations by electronic money issuers whose authorisation to issue electronic money has expired

Article 87

(1) The electronic money issuer referred to in Article 4, paragraph (1) of this Act, whose authorisation to issue electronic money or authorisation to establish a branch has expired or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person shall be fined between HRK 25,000.00 and HRK 250,000.00:

- 1) if it acts contrary to Article 8, paragraph (2) of this Act; or
 - 2) if it fails, at the invitation of the Croatian National Bank, to submit its statement and the relevant evidence within the time limit specified in the invitation (Article 9, paragraph (3) of this Act).
- (2) A responsible person of an electronic money issuer whose authorisation to issue electronic money or authorisation to establish a branch has expired, or a responsible person of a legal successor to the legal person whose authorisation has expired due to the dissolution of that legal person shall also be fined between HRK 3,000.00 and HRK 30,000.00 for any of the violations referred to in paragraph (1) of this Article.

Article 88

(1) The electronic money issuer referred to in Article 4, paragraph (1) of this Act whose authorisation to issue electronic money or authorisation to establish a branch has expired or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person shall be fined between HRK 50,000.00 and HRK 500,000.00:

- 1) if it fails to redeem, upon request of the electronic money holder, without delay and at par value the total monetary value of the electronic money (Article 6, paragraphs (2) and (9) of this Act);
- 2) if it charges a fee to an electronic money holder for the redemption of electronic money, except in the case referred to in Article 6, paragraph (6), item 3) of this Act; or
- 3) if it acts contrary to Article 6, paragraph (10) of this Act.

(2) A responsible person of an electronic money issuer whose authorisation to issue electronic money or authorisation to establish a branch has expired, or a responsible person of a legal successor to the legal person whose authorisation has expired due to the dissolution of that legal person shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

Responsible person

Article 89

The responsible person referred to in Articles 85, 86, 87 and 88 of this Act shall be:

- 1) for the issuer referred to in Article 4, paragraph (1), item 1) of this Act, the responsible person of the issuer's management board;
- 2) for the issuer referred to in Article 4, paragraph (1), item 2) of this Act, the responsible person of the management board or a responsible executive director where the issuer has the board of directors, or, where the issuer also engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, a person responsible for managing the operations relating to the issuance of electronic money;
- 3) for the issuer referred to in Article 4, paragraph (1), items 7) and 8) of this Act, a person responsible for managing the branch's operations;
- 4) for the legal person referred to in Article 101, paragraphs (1) and (4) of this Act, the responsible person of the management board or a responsible executive director, where the legal person has the board of directors; and
- 5) for a legal successor to a legal person whose authorisation has expired due to that person's dissolution, the responsible person of the management board or a responsible executive director where that legal successor has the board of directors.

Violations in the issuance of electronic money in another Member State through a branch

Article 90

- (1) The electronic money issuer referred to in Article 4, paragraph (1), item 1) or 2) of this Act, or the electronic money issuer referred to in Article 4, paragraph (1), item 1) or 2) of this Act whose authorisation to issue electronic money has expired, or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person and a responsible person of that issuer, or of the legal successor shall not be fined for any of the violations referred to in Article 85, paragraph (1), Article 86, paragraph (1) and Article 88, paragraph (1) of this Act, where such an act has been committed in the territory of another Member State in the course of issuing electronic money through a branch in that other Member State.
- (2) By way of derogation from Articles 85, 86, 87, and 88 of this Act, where the electronic money issuer referred to in Article 4, paragraph (1), item 5) or 6) of this Act, or the electronic money issuer referred to in Article 4, paragraph (1), item 5) or 6) of this Act whose authorisation to issue electronic money has expired, has committed any of the violations referred to in Article 85, paragraph (1), Article 86, paragraph (1), Article 87, paragraph (1) or Article 88, paragraph (1) of this Act while issuing electronic money in the territory of the Republic of Croatia, that issuer's branch shall be fined for the violation.
- (3) In the case referred to in paragraph (2) of this Article, the responsible person referred to in Article 85, paragraph (2), Article 86, paragraph (2), Article 87, paragraph (2) and Article 88, paragraph (2) of this Act shall be the person responsible for managing the branch's operations.

Violations while directly issuing electronic money in another Member State

Article 91

(1) The electronic money issuer referred to in Article 4, paragraph (1), item (1) or (3) of this Act or the electronic money issuer referred to in Article 4, paragraph (1), item 1) or 2) of this Act whose authorisation to issue electronic money has expired, or, where the authorisation to issue electronic money has expired due to the dissolution of a legal person, a legal successor to that legal person shall be fined for any of the violations referred to in Article 85, paragraph (1), Article 86, paragraph (1), Article 87, paragraph (1) and Article 88, paragraph (1) of this Act, committed while directly issuing electronic money in another Member State if the violation is also subject to a fine under the law of the Member State where it had been committed.

(2) If the condition referred to in paragraph (1) of this Article is fulfilled, a responsible person of that electronic money issuer or legal successor shall also be fined for any of the violations referred to in Article 85, paragraph (1), Article 86, paragraph (1), Article 87, paragraph (1) and Article 88, paragraph (1) of this Act.

(3) By way of derogation from Articles 85, 86, 87 and 88 of this Act, the electronic money issuer referred to in Article 4, paragraph (1) item 5) or 6) of this Act, or the electronic money issuer referred to in Article 4, paragraph (1), items 5) or 6) of this Act whose authorisation to issue electronic money has expired, and the responsible person of that issuer shall not be fined, where any of the violations referred to in Article 85, paragraph (1), Article 86, paragraph (1), Article 87, paragraph (1) and Article 88, paragraph (1) has been committed while directly issuing electronic money in the Republic of Croatia, but the Croatian National Bank shall instead notify the competent authority of the home Member State of the committed violation for the purpose of initiating appropriate proceedings.

Violations by other persons

Article 92

(1) A legal person shall be fined between HRK 25,000.00 to HRK 250,000.00:

1) if it acquires shares or holdings in an electronic money institution amounting to less than 50% of the capital or voting rights of that institution contrary to Article 20, paragraph (1) or (2) of this Act;

2) if it fails to notify the Croatian National Bank in accordance with Article 20, paragraphs (3), (4) or (6) of this Act; or

3) if it fails to submit an application to the Croatian National Bank in accordance with Article 20, paragraph (7) of this Act.

(2) A responsible person of a legal person shall also be fined between HRK 3,000.00 and HRK 30,000.00 for any of the violations referred to in paragraph (1) of this Article.

(3) A natural person shall be fined between HRK 10,000.00 and 50,000.00 for any of the violations referred to in paragraph (1) of this Article.

Article 93

(1) A legal person shall be fined between HRK 50,000.00 and 500,000.00:

1) if it issues electronic money contrary to the provisions of Article 4, paragraph (2) of this Act;

2) if it acquires shares or holdings in an electronic money institution in an amount equal to or higher than 50% of the capital or voting rights of that institution contrary to Article 20, paragraph (1) or (2) of this Act, or if it fails to act in accordance with Article 20, paragraph (5) of this Act;

3) if it fails to act in accordance with the decision of the Croatian National Bank referred to in Article 24, paragraph (1) or (5) of this Act; or

4) if it fails to submit, upon request of the Croatian National Bank, the information referred to in Article 24, paragraph (4) of this Act.

(2) A responsible person of a legal person shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

(3) A natural person shall be fined between HRK 20,000.00 and HRK 100,000.00 for any of the violations referred to in paragraph (1) of this Article.

Violations by electronic money institutions

Article 94

(1) An electronic money institution shall be fined between HRK 50,000.00 and HRK 500,000.00:

1) if it provides payment services within or outside the territory of the Republic of Croatia which are not covered by the authorisation granted by the Croatian National Bank;

2) if it acts contrary to Article 24, paragraph (8) of this Act;

3) if it issues electronic money within or outside the territory of the Republic of Croatia through an agent through which it provides payment services or through a third natural or legal person through which it carries out the distribution and redemption of electronic money;

- 4) if it establishes a branch in another Member State without notifying the Croatian National Bank thereof in advance (Article 29, paragraph (1), or commences issuing electronic money or providing payment services through a branch, contrary to Article 29, paragraph (5), item 1) of this Act;
- 5) if it commences issuing electronic money or providing payment services directly in another Member State, without notifying the Croatian National Bank of the intention to do so in advance (Article 29, paragraph (1) or if it commences issuing electronic money or providing payment services directly, contrary to Article 29, paragraph (5), item 2) of this Act;
- 6) if it commences carrying out the distribution or redemption of electronic money in another Member State through a third natural or legal person, without notifying the Croatian National Bank of the intention to do so in advance (Article 30, paragraph (1), or if it commences carrying out the distribution or redemption of electronic money through a third natural or legal person, contrary to Article 30, paragraph (4) of this Act;
- 7) if it commences providing payment services through an agent in another Member State contrary to the provisions on rendering payment services in the territory of another Member State through an agent, set out in the law governing payment transactions;
- 8) if it establishes a branch in a third country without obtaining prior authorisation by the Croatian National Bank (Article 31, paragraph (2));
- 9) if its own funds fall below the minimum amount referred to in Article 42, paragraph (1) of this Act (Article 43, paragraph (2));
- 10) if its own funds fall below the amount calculated pursuant to Article 43 of this Act;
- 11) if, in the calculation of own funds, it acts contrary to Article 43, paragraph (9) of this Act;
- 12) if, in the calculation of own funds, it acts contrary to Article 43, paragraph (10) of this Act;
- 13) if it acts contrary to the regulation adopted under Article 43, paragraph (11) of this Act;
- 14) if it accepts deposits or any other repayable funds from the public (Article 45, paragraph (1));
- 15) if it keeps payment accounts for purposes other than payment transactions (Article 46);
- 16) if it grants credits connected with the issuance of electronic money or provision of payment services that are linked to the issuance of electronic money, or if it grants credits from the funds received in exchange for the issued electronic money;
- 17) if it grants credits connected with the provision of payment services that are not linked to the issuance of electronic money, contrary to Article 47, paragraph (1) of this Act;
- 18) if it fails to safeguard the funds received in exchange for the issued electronic money in accordance with Article 48 of this Act and the regulation adopted under Article 48, paragraph (11) of this Act, or fails to keep them in accordance with Article 48, paragraph (4) of this Act;

19) if, with respect to the funds received from payment service users that are not linked to the issuance of electronic money, it fails to act in accordance with Article 48, paragraph (10) of this Act;

20) if it acts contrary to Article 49, paragraph (1) or paragraph (2) of this Act, or contrary to the regulation adopted under Article 49, paragraph (3) of this Act;

21) if it fails to store bookkeeping documents and other documentation in accordance with Article 50 of this Act;

22) if it fails to have the financial statements referred to in Article 49 of this Act (Article 51, paragraph (1) audited, or fails to submit to the Croatian National Bank the reports in accordance with Article 51, paragraph (2) of this Act;

23) if it fails to have a special audit carried out in accordance with the regulation adopted under Article 52, paragraph (7) of this Act;

24) if, in the case of outsourcing, it fails to act in accordance with Article 53 of this Act or the regulation adopted under Article 53, paragraph (7) of this Act;

25) if it fails to establish or implement governance arrangements in the manner laid down in Article 55, paragraph (1), or acts contrary to the regulation adopted under Article 55, paragraph (2) of this Act;

26) if it acts contrary to the regulation adopted under Article 56, paragraph (7) of this Act;

27) if it fails to enable an on-site examination in the manner and under the conditions referred to in Article 57 or Article 58 of this Act;

28) if it fails to act in accordance with the decision of the Croatian National Bank;

29) if it acts contrary to the regulation adopted under Article 70, paragraph (1) or paragraph (2) of this Act, or fails to report to the Croatian National Bank on the circumstances and in the manner laid down in Article 70, paragraph (3) or paragraph (4) of this Act, or fails to submit information upon request of the Croatian National Bank (Article 70, paragraph (5)); or

30) if that institution's operations are not carried out from the territory of the Republic of Croatia.

(2) A responsible person of the management board or a responsible executive director, where the electronic money institution has the board of directors, or, where the electronic money institution also engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, a person responsible for managing the operations relating to the issuance of electronic money shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

Violations by a branch of a third-country electronic money institution

Article 95

(1) A branch of a third-country electronic money institution shall be fined between HRK 50,000.00 and HRK 500,000.00:

- 1) if it provides payment services that are not linked to the issuance of electronic money (Article 36, paragraph (3));
- 2) if it issues electronic money outside the Republic of Croatia (Article 36, paragraph (7));
- 3) if it engages in any of the activities referred to in Article 11, paragraph (5), items 2) and 4) of this Act (Article 36, paragraph 8);
- 4) if it fails to deposit funds in the minimum amount referred to in Article 42, paragraph (1) of this Act in the account of a credit institution having its registered office in the Republic of Croatia (Article 37, paragraph (6));
- 5) if it fails to notify the Croatian National Bank of the circumstances in accordance with Article 39, paragraph (2) or Article 40, paragraph (2) of this Act;
- 6) if it acts contrary to the regulation adopted under Article 40, paragraph (3) of this Act; or
- 7) if it commits any of the violations referred to in Article 94, paragraph (1), items 9), 10), 12) to 14), 16), 18) and items 20) to 29) of this Act.

(2) A person responsible for managing the branch's operations shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

Violations by electronic money institutions under exemption

Article 96

(1) An electronic money institution under exemption shall be fined between HRK 50,000.00 and HRK 500,000.00:

- 1) if it issues electronic money in the territory of another Member State (Article 76, paragraph (2) of this Act);
- 2) if it engages in any of the activities referred to in Article 11, paragraph (5), items 2), 3) or 4) of this Act, or provides payment services that are not linked to the issuance of electronic money (Article 76, paragraph (3) of this Act);
- 3) if the amount of electronic money stored on a payment instrument or in a payment account exceeds the maximum amount prescribed in Article 76, paragraph (5) of this Act;
- 4) if this institution's operations are not carried out from the territory of the Republic of Croatia (Article 76, paragraph (6) of this Act);

5) if it issues electronic money in the territory of the Republic of Croatia or a third country through an agent or a third natural or legal person through which it carries out the distribution and redemption of electronic money;

6) if its own funds fall below the minimum amount referred to in Article 76, paragraph (4) of this Act;

7) if it keeps payment accounts for purposes other than payment transactions linked to the issuance of electronic money (Article 46); or

8) if it commits any of the violations referred to in Article 94, paragraph (1), items 2), 8), 10), 12) to 14), 16), 18) and items 20) to 29) of this Act.

(2) A responsible person of the management board or a responsible executive director of the electronic money institution under exemption, where that institution has the board of directors, shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article 11.

Violations by entities whose authorisation to issue electronic money has expired

Article 97

(1) A legal person whose authorisation to issue electronic money as an electronic money institution has expired, or a legal person whose authorisation to issue electronic money as an electronic money institution under exemption has expired, or a branch of a third-country electronic money institution whose authorisation to establish a branch has expired shall be fined between HRK 50,000.00 and HRK 500,000.00:

1) if it fails to continue safeguarding the funds received in exchange for the issued electronic money pursuant to the provisions of Article 48 of this Act with respect to the entire amount of outstanding electronic money until its redemption; or

2) if it fails to act in accordance with the decision of the Croatian National Bank adopted in the course of supervision.

(2) Where the authorisation of an electronic money institution or an electronic money institution under exemption to issue electronic money has expired due to its dissolution, that institution's legal successor shall be fined for any of the violations referred to in paragraph (1) of this Article.

(3) A responsible person of the management board of the legal person referred to in paragraph (1) or paragraph (2) of this Article, or the responsible executive director of that legal person, where that legal person has the board of directors, shall also be fined between HRK 6,000.00 and HRK 60,000.00 for any of the violations referred to in paragraph (1) of this Article.

Violations by responsible persons of electronic money institutions, electronic money institutions under exemption and branches of third-country electronic money institutions

Article 98

A responsible person of the management board of an electronic money institution or an electronic money institution under exemption, or the responsible executive director of that institution where it has the board of directors, or, where that institution also engages in any of the activities referred to in Article 11, paragraph (5), item 4) of this Act, a person responsible for managing the operations linked to the issuance of electronic money, or a person responsible for managing the operations of a branch of a third-country electronic money institution, shall also be fined between HRK 6,000.00 and HRK 60,000.00:

- 1) if it fails to comply with the request of the Croatian National Bank referred to in Article 57, paragraph (7) of this Act; or
- 2) if it fails to comply with the order from the decision of the Croatian National Bank.

Violations by statutory auditors and audit firms

Article 99

- (1) An audit firm shall be fined between HRK 20,000.00 and HRK 100,000.00 if it fails to meet the requirements referred to in Article 51, paragraph (4) or paragraph (5) of this Act
- (2) A statutory auditor shall also be fined between HRK 5,000.00 and 25,000.00 for any violation referred to in paragraph (1) of this Article.

Limitation

Article 100

- (1) Violation proceedings provided for in this Act may not be initiated after the expiry of three years from the date on which the violation was committed.
- (2) The limitation period shall be interrupted by any action taken by the competent authority for the purpose of proceedings against the person that committed the violation. The limitation period shall restart after each interruption, but the violation proceedings may in no case be initiated following the expiry of twice the limitation period laid down in paragraph (1) of this Article.

TITLE VIII TRANSITIONAL AND FINAL PROVISIONS

Compliance with the provisions of this Act

Article 101

(1) Electronic money institutions which, as at the date of entry into force of this Act, are authorised pursuant to the provisions of the Act on Electronic Money Institutions (Official Gazette, 117/08 and 74/09) shall submit a new application to the Croatian National Bank in accordance with Article 12 of this Act no later than 31 March 2011.

(2) An electronic money institution that submits the application within the time limit referred to in paragraph (1) of this Article shall continue its operation according to the authorisation previously granted, pending the decision of the Croatian National Bank.

(3) The Croatian National Bank shall withdraw authorisation from an electronic money institution that fails to submit the application referred to in paragraph (1) of this Article.

(4) A legal persons other than a credit institution, which, as at the date of entry into force of this Act, issues electronic money and provides payment services but is not authorised pursuant to the provisions of the Act on Electronic Money Institutions (Official Gazette, 117/08 and 74/09) shall submit an application for authorisation to issue electronic money to the Croatian National Bank in accordance with the provisions of this Act no later than 31 March 2011.

(5) A legal person which submits the application within the time limit referred to in paragraph (4) of this Article, shall continue its operation pending the decision of the Croatian National Bank, and, where the Croatian National Bank refuses the application, it shall cease issuing electronic money immediately upon receipt of the decision to refuse the application.

(6) A legal person that fails to submit the application within the time limit referred to in paragraph (4) of this Article shall cease issuing electronic money.

Procedures initiated prior to entry into force of this Act

Article 102

(1) All procedures for the authorisation of electronic money institutions, initiated prior to the entry into force of this Act shall be completed in accordance with the provisions of this Act.

(2) The time limit for the adoption of decisions on the applications referred to in paragraph 1 of this Article shall run from the date of entry into force of this Act.

Subordinate legislation of the Croatian National Bank

Article 103

The Croatian National Bank shall, within thirty days of the date of entry into force of this Act, adopt subordinate legislation which it is obliged to adopt pursuant to this Act.

Cessation of effect of the Act on Electronic Money Institutions

Article 104

As of the date of entry into force of this Act, the Act on Electronic Money Institutions (Official Gazette, 117/08 and 74/09) shall cease to have effect.

Entry into force

Article 105

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2011, with the exception of Article 4, paragraph (1), items 5), 6) and 9) and paragraph (6), Article 9, paragraphs (7) and (8), Article 28, Article 29, Article 30, Article 32, Article 33, Article 34, Article 35, Article 47, paragraph (1), item 2), Article 48, paragraph (5), item 2), Article 56, paragraph (8), Article 67, Article 68, Article 72, paragraph Article 73, paragraph (2), item 5), Article 74, Article 76, paragraph (2), Article 79, paragraph (2), Article 90, Article 91, Article 94, paragraph (1), items 4), 5), 6) and 7) and Article 96, paragraph (1), item (1) of this Act, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.

Class: 451-01/10-01/01

Zagreb, 26 November 2010

THE CROATIAN PARLIAMENT
Speaker of the Croatian Parliament
Luka Bebić, m.p.