

THE CROATIAN PARLIAMENT

3754

Pursuant to Article 88 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

I hereby promulgate the Act on Amendments to the Credit Institutions Act, passed by the Croatian Parliament at its session on 11 December 2009.

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Zagreb, 17 December 2009

The President of the Republic of Croatia

Stjepan Mesić, m.p.

ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

Article 1

In the Credit Institutions Act (Official Gazette 117/2008 and 74/2009), Article 2, paragraphs (1) and (2) are amended to read:

"(1) 'Credit institution' means a legal person authorised by the competent authority, whose business is to receive deposits and other repayable funds from the public and to grant credits for its own account.

(2) A credit institution having its registered office in the Republic of Croatia may, under the conditions laid down in this Act, be established as a bank, savings bank or a housing savings bank."

Paragraph (3) is deleted.

The former paragraph (4) becomes paragraph (3).

Article 2

In Article 5, paragraph (1), item (7) is amended to read:

"7) money transmission services in accordance with special laws;"

In item (9), the words "and pursuant to a special law" are inserted after the word "paragraph".

In item (15), after the word "companies", the conjunction "and" is deleted and a semi-colon is inserted.

Item (16) is amended to read:

"16) issuance of electronic money; and".

After item (16), item (17) is added which reads:

"17) investment and ancillary services and activities prescribed in the special law governing the capital market and not included in services referred to in items (1) to (16) of this paragraph."

In paragraph (2), item (3), the word "other" is inserted before the word "services".

Article 3

The title of Article 7 is amended to read: "Competent authority, consolidating supervisor and authorisation".

In Article 7, after paragraph (1), a new paragraph (2) is inserted which reads:

"(2) For the purposes of this Act, 'consolidating supervisor' means the competent authority responsible for the exercise of supervision on a consolidated basis of EU parent credit institutions and credit institutions controlled by EU parent financial holding companies."

The former paragraph (2) becomes paragraph (3).

Article 4

In Article 8, paragraph (1), the words "where it has not established a branch and" are inserted in the introductory phrase after the words "another Member State".

Article 5

In Article 9, paragraph (1), item (2), the number "16" is replaced by the words "(7), item (9) and items (11) to (17)".

Article 6

In Article 21, the words "a subsidiary" after the words "any natural or legal person and" are deleted.

Article 7

In Article 24, paragraph (1), item (2) is amended to read:

"2) they are interconnected in a way which makes it highly probable that if the economic and financial position of one person were to deteriorate or improve the economic and financial position of the other or all of the others would deteriorate or improve particularly if losses, profits or creditworthiness may be transferred among them, or that if one of them were to experience funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties."

Article 8

In Article 25, paragraph (2), item (2), the word "or" is replaced by a semi-colon.

In item (3), the full stop at the end of the sentence is deleted and the word "or" is inserted.

After item (3), item (4) is added which reads:

"4) investment funds and their management companies."

Article 9

In Article 34, after paragraph (10), paragraphs (11), (12) and (13) are added which read:

"(11) Shareholders of a credit institution who, after acquiring shares of the credit institution become connected persons pursuant to Article 24 or persons acting in concert pursuant to Article 25 of this Act, owing to which they as a group of connected persons or persons acting in concert jointly hold 10 percent, 20 percent, 30 percent or 50 percent of the capital or of the voting rights of the credit institution, shall submit to the Croatian National Bank an application to acquire a qualifying holding within 30 days of the date when they became connected persons or persons acting in concert. If they fail to do so, the Croatian National Bank shall act in accordance with Article 40, paragraph (2) of this Act.

(12) Should qualifying holdings increase due to the reduction in the initial capital of the credit institution or other similar action by the credit institution so as to exceed 10 percent, 20 percent, 30 percent or 50 percent, holders of qualifying holdings shall submit an application for further acquisition of a holding in the capital or of the voting

rights of the credit institution within 30 days of the date when they became aware or should have become aware of the increase in their holdings due to the credit institution's action. If they fail to do so, the Croatian National Bank shall act in accordance with Article 40, paragraph (2) of this Act.

(13) The provisions of this Title shall apply *mutatis mutandis* to the holders of qualifying holdings referred to in paragraphs (11) and (12) of this Article."

Article 10

In Article 35, paragraph (1), item (1) under (a), after the words "a certified copy", the words "not older than three months" are inserted.

In item (2) under (c), a Croatian word translated as "or" is replaced by another Croatian word, with no relevance to the English translation.

Paragraph (2) is amended to read:

"(2) By way of derogation from paragraph (1), item (1) under (i) and item (2) under (c) of this Article, the Croatian National Bank shall obtain proof from the criminal history records that the domestic natural person has not committed a crime. For a natural person who is not a citizen of the Republic of Croatia, the Croatian National Bank shall obtain proof from the criminal history records that the person has not committed a crime in the Republic of Croatia. The Croatian National Bank must provide a reasoned explanation for each request from the records."

In paragraph (5), the words "paragraph (2)" are deleted.

Article 11

In Article 36, paragraph (1), the words "paragraph (2)" are deleted.

Article 12

In Article 40, paragraph (1), the words "paragraph (2)" are deleted.

Article 13

In Article 41, paragraph (2), the words "paragraph (2)" are deleted.

Article 14

After the title of the Subtitle "II.4 MANAGEMENT BOARD AND SUPERVISORY BOARD", Article 42a and its title are inserted which read:

**"Management board and supervisory board
Article 42a**

A credit institution shall have a management board and a supervisory board."

Article 15

In Article 45, paragraph (1), item (9), the words "Article 239, paragraph (2) of" are inserted before the words "the Companies Act".

After paragraph (2), a new paragraph (3) is inserted which reads:

"(3) It shall be deemed that a natural person who is not a citizen of the Republic of Croatia meets the criteria referred to in paragraph (1), items (7) and (9) of this Article if the person has not been convicted by a final judgement of a crime which by definition corresponds to these crimes."

The former paragraphs (3) to (5) become paragraphs (4) to (6).

Article 16

In Article 46, paragraph (4), the number "(5)" is replaced by the number "(6)".

Paragraph (5) is amended to read:

"(5) The Croatian National Bank shall obtain proof from the criminal history records and misdemeanour records that the domestic natural person has not committed a crime or misdemeanour. For a natural person who is not a citizen of the Republic of Croatia, the Croatian National Bank shall obtain proof from the criminal history records and misdemeanour records that the person has not committed a crime or misdemeanour in the Republic of Croatia. The Croatian National Bank must provide a reasoned explanation for each request from the records."

Article 17

In Article 51, paragraph (1), item (3), the word "or" is replaced by a semi-colon.

In item (4), the full stop at the end of the sentence is deleted and the word "or" is inserted.

After item (4), item (5) is added which reads:

"(5) where the Croatian National Bank adopts a decision to appoint a special administration."

Article 18

In Article 59, paragraph (1), the words "or an electronic money institution" are deleted.

After paragraph (5), paragraph (6) is added which reads:

"(6) By way of derogation from paragraphs (3) and (5) of this Article, a credit institution intending to provide an additional financial service referred to in Article 5, paragraph (2), item (2) of this Act for which authorisation is not required in accordance with a special law, may provide that service without obtaining authorisation to provide that additional financial service and may enter that service in the register of companies."

Article 19

In Article 65, item (4), the number "(5)" is replaced by the number "(6)".

Article 20

In Article 67, paragraph (4), the words "21 days" are replaced by the words "five working days".

Article 21

In Article 93, paragraph (5), the word "shall" is replaced by the word "may".

Article 22

In Article 121, item (3) is amended to read:

"3) establish systems for ongoing management of current and future cash inflows and outflows and shall also have regard to existing legal, supervisory and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities, both within and outside the Republic of Croatia;"

Article 23

In Article 122, paragraph (3) is amended to read:

"(3) Credit institutions shall adopt business continuity plans ensuring their ability to operate on an ongoing basis and to limit losses in the event of severe business disruption or discontinuation."

Article 24

Article 129 is amended to read:

"Exposure of a credit institution' means the amount of all on- and off-balance sheet items."

Article 25

In Article 134, paragraph (2), the words "as key elements in the assessment of the credibility and transparency of its credit assessments" are replaced by the words "and where the resulting credit assessments meet the requirements of credibility and transparency."

In paragraph (4), the Croatian possessive pronoun is deleted, with no relevance to the English translation.

Article 26

Article 150 is amended to read:

"(1) A credit institution's exposure, after taking into account the effect of the credit risk mitigation, to a single person or group of connected persons may not exceed 25 percent of its own funds.

(2) By way of derogation from paragraph (1) of this Article, a credit institution's exposure, after taking into account the effect of the credit risk mitigation, to other credit institutions, investment firms or a group of persons connected with them may not exceed:

- 25 percent of the credit institution's own funds, or
- HRK 3 million, whichever the higher.

(3) In the case referred to in paragraph (2) of this Article, the value of the total exposure, after taking into account the effect of the credit risk mitigation, to persons in the group that are not credit institutions or investment firms, may not exceed 25 percent of the credit institution's own funds.

(4) In the case referred to in paragraph (2) of this Article, where the amount of HRK 3 million is higher than 25 percent of the credit institution's own funds, the value of the exposure, after taking into account the effect of the credit risk mitigation, to other credit institutions, investment firms or a group of persons connected with them may not exceed 100 percent of the credit institution's own funds or HRK 3 million, whichever is the lower.

(5) By way of derogation from paragraphs (1) to (4) of this Article, a credit institution's exposure, after taking into account the effect of the credit risk mitigation, to any of the persons referred to in Article 153 of this Act may not exceed 10 percent of the credit institution's own funds."

Article 27

Article 151 is deleted.

Article 28

Article 152 is amended to read:

"(1) The limits referred to in Article 150, paragraph (5) and Article 151, paragraph (2) of this Act shall not relate to a credit institution's exposure to its parent undertaking, its subsidiary undertakings and persons connected with them.

(2) The limits referred to in Article 150, paragraphs (1) to (4) and Article 151, paragraph (1) of this Act shall apply to the credit institution's total exposure to its parent undertaking, its subsidiary undertakings and persons connected with them."

Article 29

In Article 153, paragraph (1), item (3) is amended to read:

"3) persons who have concluded employment contracts with the credit institution the provisions of which imply that these persons have a significant influence over the operation of the credit institution or the contracts in which the remuneration for the work of these persons is determined in accordance with the special criteria, different from those applied to the persons who have concluded the standard employment contracts, where these persons are not referred to in item (1) or (2) of this paragraph; and"

After paragraph (2), paragraph (3) is added which reads:

"(3) For the purposes of paragraph (1), item (1) of this Article, persons in a special relationship with a credit institution shall also include funds that are holders of the credit institution's shares."

Article 30

In Article 154, paragraph (1) is amended to read:

"(1) Prior approval of the credit institution's supervisory board shall be required before concluding a legal arrangement that might result in a credit institution's large exposure to a single person or group of connected persons. Prior approval of the supervisory board shall also be required before concluding a legal arrangement as a result of which the credit institution's large exposure to a single person or group of connected persons

would increase so as to reach or exceed 15 percent, 20 percent, and each additional 5 percent of the credit institution's own funds."

In paragraph (2), after the word "Act", the words "and for any change in the conditions under which the legal arrangement has been concluded" are inserted.

Article 31

In Article 155, paragraph (2), the introductory phrase is amended to read:

"A credit institution which calculates capital requirements for position risks for its trading book items may exceed the maximum permitted exposure limits referred to in Article 150 or 151 of this Act if the following conditions are met:"

Article 32

In Article 160, paragraphs (1), (2) and (3), the word "direct" is inserted before the word "acquisition".

Article 33

In Article 161, paragraph (1), item, (1), after the second indent, a new third indent is inserted which reads:

"– the procedure for granting prior approvals;"

The former third indent becomes the fourth indent.

In item (3), after the sixth indent, a new seventh indent is inserted which reads:

"– rules on information system management and management of risks arising from the use of the information system;"

The former seventh indent becomes the eighth indent.

Item (8) is amended to read:

"8) regarding the calculation of large exposures:

- the method of calculating exposures, defining the criteria for links and the application of the credit risk mitigation techniques;
- rules on procedures for calculating concentration risk including large exposures and exposures to collateral providers and providers of unfunded credit protection;
- other exemptions from the limits referred to in Articles 150 and 151 of this Act;
- the methodology and appropriate factors for calculating the capital requirement for exceeding the permitted exposure limits;

- reporting on large exposures and exposures to collateral providers and providers of unfunded credit protection;
- the calculation of prudential requirements on a consolidated basis;"

Article 34

In Article 164, a new paragraph (2) is inserted which reads:

"(2) For the purposes of paragraph (1) of this Article, outsourcing shall not be considered to include:

- the procurement of goods and works;
- leasing or renting;
- utility services."

The former paragraph (2) becomes paragraph (3).

Article 35

In Article 165, paragraph (2) is deleted.

The former paragraph (3) becomes paragraph (2).

In the former paragraph (4), which becomes paragraph (3), the words "no less than 90 days before concluding a contract with a service provider" are deleted.

In the former paragraph (5), which becomes paragraph (4), the number "(4)" is replaced by the number "(3)".

Article 36

In Article 166, item (3) is amended to read:

"3) the content of documentation to be enclosed with and time limits for delivery of the notification referred to in Article 165, paragraph (3) of this Act."

Article 37

In Article 169, paragraph (3), item (7) is deleted.

The former items (8) and (9) become items (7) and (8).

The former item (10), which becomes item (9), is amended to read:

"9) where the interests or obligations of a credit institution or its client require the disclosure of confidential information to establish the legal relationship between the

credit institution and the client in court proceedings, arbitration proceedings or conciliation proceedings;".

The former items (11) to (19) become items (10) to (18).

In the former item (20), which becomes item (19), the word "and" is deleted and a semi-colon is inserted.

After the former item (20), which becomes item (19), a new item (20) is inserted which reads:

"20) where confidential information is disclosed to social welfare centres at their written request, within the framework of their competence under law and for the purpose of taking measures to protect the rights of children (persons under 18) and persons under guardianship; and"

In paragraph (4), item (2) is amended to read:

"2) disclosure of public information from the unified register of accounts."

After paragraph (4), paragraph (5) is added which reads:

"(5) The credit institution shall ensure that when concluding each individual contract on the provision of banking and/or financial services, the client's explicit agreement in writing referred to in paragraph (3), item (1) of this Article is given in a separate document."

Article 38

In Article 186, paragraph (5), the second sentence is deleted.

Article 39

In Article 191, after paragraph (3), paragraph (4) is added which reads:

"(4) An audit firm shall, by 31 October of the current year, deliver to the Croatian National Bank an audit plan for the business year in question for each credit institution which has entrusted it with the carrying out of audit, indicating the areas of operation in which audits will be carried out and the methodology of the audits planned by individual area, as well as the envisaged duration of audit."

Article 40

In Article 192, after paragraph (3), paragraphs (4) and (5) are added which read:

"(4) An audit of the credit institution's financial statements and an audit for the purposes of the Croatian National Bank shall be carried out by the same audit firm.

(5) Exceptionally, in the case referred to in Article 196, paragraph (4), item (2) of this Act, an audit of the credit institution's financial statements and an audit for the purposes of the Croatian National Bank may be carried out by two different audit firms."

Article 41

In Article 195, after paragraph (2), a new paragraph (3) is inserted which reads:

"(3) Refusal of the report on the audit of the credit institution's financial statements shall result in the refusal of the assessment referred to in Article 196 of this Act."

The former paragraph (3), which becomes paragraph (4), is amended to read:

"(4) In the case referred to in paragraph (3) of this Article, the Croatian National Bank shall not accept audit reports from the audit firm whose audit report has been refused for the next two calendar years."

The former paragraph (4) becomes paragraph (5).

Article 42

Article 196 is amended to read:

"(1) For the purposes of the Croatian National Bank, an audit firm shall provide an assessment of:

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

(2) The assessment referred to in paragraph (1) of this Article shall be descriptive and range from completely satisfactory to completely unsatisfactory (completely satisfactory, satisfactory, partially satisfactory, unsatisfactory, and completely unsatisfactory).

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

(4) 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 credit 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 credit institution to obtain another assessment by certified auditors of a different audit firm at the expense of the credit institution.

(5) Refusal of the assessment referred to in paragraph (1) of this Article shall not result in the refusal of the report on the audit of the credit institution's financial statements for that year if the report on the audit of the credit institution's financial statements has been accepted by the Croatian National Bank.

(6) The Croatian National Bank may prescribe in detail the methodology of the audit for the purposes of the Croatian National Bank as well as the reasons for the refusal of the assessment referred to in paragraph (1) of this Article."

Article 43

Article 202 is amended to read:

"The Croatian National Bank may request a written report or statement on the matters referred to in Article 163 of this Act from members of the credit institution's management board. In the request, the Croatian National Bank shall specify the time limit for the preparation of these reports which may not be shorter than three days."

Article 44

In Article 222, after paragraph (3), paragraph (4) is added which reads:

"(4) The Croatian National Bank shall, in the exercise of supervision, duly consider the potential impact of its decisions and actions on the stability of the financial system in all other Member States concerned and, in particular, in emergency situations, based on the information available at the relevant time."

Article 45

After Article 222, Articles 222a, 222b and 222c and their titles are inserted which read:

"Deciding on the designation of a branch as being significant in cases where the Croatian National Bank is not the consolidating supervisor

Article 222a

(1) The Croatian National Bank may make a request to the consolidating supervisor or to the competent authorities of the home Member State concerned, for a branch of a

credit institution which provides services within the territory of the Republic of Croatia to be considered as significant.

(2) In the request referred to in paragraph (1) of this Article, the Croatian National Bank shall provide reasons for considering the branch to be significant with particular regard to the following:

1) whether the market share of the branch of a credit institution in terms of deposits as defined in the law governing deposit insurance exceeds 2 percent in the Republic of Croatia;

2) the likely impact of a suspension or closure of the operations of the credit institution on market liquidity and the payment and clearing and settlement systems in the Republic of Croatia; and

3) the size and the importance of the branch in terms of number of clients within the context of the banking or financial system of the Republic of Croatia.

(3) In reaching a joint decision on the designation of a branch as being significant, the Croatian National Bank shall cooperate with the consolidating supervisor or the competent authorities of the home Member State.

(4) The decision referred to in paragraph (3) shall be recognised as determinative.

(5) If no joint decision is reached between the Croatian National Bank and the consolidating supervisor or the competent authorities of the home Member State within two months of receipt of a request referred to in paragraph (1) of this Article, the Croatian National Bank shall take its own decision within a further period of two months. In taking its own decision, the Croatian National Bank shall take into account any views of the consolidating supervisor or the competent authorities of the home Member State.

(6) The decisions referred to in paragraphs (3) and (5) of this Article must be written and fully reasoned, and delivered to the competent authorities concerned.

(7) The adoption of the decisions referred to in paragraph (3) or (5) of this Article shall not affect the responsibilities of the competent authorities under this Act.

**Deciding on the designation of a branch as being significant in cases where the
Croatian National Bank is the consolidating supervisor
Article 222b**

(1) If the Croatian National Bank receives a request from the competent authorities of another Member State for a branch of a credit institution established in the Republic of Croatia and providing services within the territory of that Member State to be considered as significant, the Croatian National Bank shall cooperate with the competent authorities of the Member State concerned in reaching a joint decision on the designation of a branch as being significant.

(2) The decision referred to in paragraph (1) of this Article must be written and fully reasoned, and delivered to the competent authorities concerned.

(3) If no joint decision on the designation of a branch as being significant is reached within two months of receipt of a request referred to in paragraph (1) of this Article, and the competent authorities of the host Member State take their own decision on the designation of the branch as being significant within a further period of two months, that decision shall be recognised as determinative by the Croatian National Bank.

(4) The Croatian National Bank shall communicate to the competent authorities of a host Member State where a significant branch of a credit institution which has its registered office in the Republic of Croatia is established the information referred to in Article 293, paragraph (3), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 287, item (3) of this Act in cooperation with the competent authorities of the host Member State.

(5) Where an emergency situation arises within the credit institution referred to in paragraph (1) of this Article, the Croatian National Bank shall alert without delay the persons referred to in Article 225, paragraph (1), items (7) and (8) of this Act.

Establishment of a college of supervisors for significant branches

Article 222c

(1) Where a college of supervisors referred to in Article 287a of this Act has not been established and a credit institution having its registered office in the Republic of Croatia has significant branches in other Member States, the Croatian National Bank shall establish and chair a college of supervisors to facilitate the cooperation under Article 222 and Article 287, item (3) and exchange of information referred to in Article 293, paragraph (3), items (3) and (4) of this Act.

(2) The establishment and functioning of the college referred to in paragraph (1) of this Article shall be based on written arrangements determined, after consultation with competent authorities concerned, by the Croatian National Bank. The Croatian National Bank shall decide which competent authorities participate in a meeting or in an activity of the college, taking account of the potential impact of the supervisory activities to be planned on the stability of the financial system in the Member States concerned.

(3) The Croatian National Bank shall keep all the members of the college of supervisors fully informed, in a timely manner, of the meetings planned, the main issues to be discussed and of the actions taken in those meetings or the measures carried out."

Article 46

In Article 225, paragraph (1), item (7) is amended to read:

"7) central banks of the European system of the central banks and other bodies with a similar function in their capacity as monetary authorities when this confidential information is relevant for the exercise of their respective statutory tasks, including the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems, and the safeguarding of stability of the financial system;".

Article 47

In Article 261, paragraph (2), the words "shall prescribe" are replaced by the words "may prescribe".

Article 48

The title of Article 265 is amended to read: "Publication of a decision on the compulsory winding-up".

Article 265 is amended to read:

"(1) The Croatian National Bank shall deliver a decision on the compulsory winding-up of a credit institution to the institution responsible for deposit insurance on the date of the adoption of the decision.

(2) The Croatian National Bank shall publish a decision to initiate the compulsory winding-up in the Official Gazette and at least two daily newspapers published in the Republic of Croatia."

Article 49

Article 268 is amended to read:

"At the request of the Croatian National Bank, liquidators shall deliver a report on progress in winding-up proceedings."

Article 50

The title of Article 270 is amended to read: "Application of the provisions of this Act and the Companies Act in the course of the compulsory winding-up".

Article 270 is amended to read:

"(1) The provisions of the Companies Act governing the winding-up of companies shall apply *mutatis mutandis* to credit institutions undergoing compulsory winding-up proceedings.

(2) The provisions of this Act shall apply *mutatis mutandis* to credit institutions undergoing compulsory winding-up proceedings.

(3) The Croatian National Bank may prescribe the manner of application of the provisions of this Act in the cases referred to in paragraph (2) of this Article."

Article 51

In Article 272, Croatian words translated as "the provisions of the Bankruptcy Act shall apply *mutatis mutandis*" are replaced by other Croatian words, with no relevance to the English translation.

Article 52

In Article 273, item (1), a Croatian word translated as "repay" is replaced by another Croatian word, with no relevance to the English translation.

Article 53

Article 274 is amended to read:

"(1) In addition to entitled petitioners under the provisions of the Bankruptcy Act and special laws, a request to open bankruptcy proceedings may be submitted by the Croatian National Bank.

(2) When the Croatian National Bank submits a request to open bankruptcy proceedings, it shall state in the request facts and circumstances indicating the existence of any of the grounds for bankruptcy.

(3) In a request to open bankruptcy proceedings, the Croatian National Bank may propose the appointment of a temporary trustee in bankruptcy and the setting of other protective measures it deems necessary to prevent changes in the financial position of the credit institution before the adoption of the decision to open bankruptcy proceedings that could be detrimental to its creditors.

(4) Where a request to open bankruptcy proceedings has been submitted by a petitioner other than the Croatian National Bank, the bankruptcy judge shall deliver the request to the Croatian National Bank."

Article 54

The title of Article 275 is amended to read: "Protective measures".

Article 275 is amended to read:

"(1) When a request to set up protection measures is submitted by the Croatian National Bank, the bankruptcy judge shall decide on the proposed protective measures within three days of its receipt.

(2) Where the Croatian National Bank submits a request to open bankruptcy proceedings accompanied by a request to set up protective measures, the bankruptcy judge shall deliver the decision on the proposed protective measures together with a conclusion inviting the Croatian National Bank to make an advance payment for the costs of preliminary proceedings.

(3) Where the Croatian National Bank fails to pay an advance payment in the case referred to in paragraph (2) of this Article within 15 days, the bankruptcy judge shall adopt a decision to revoke the protective measures and stay the bankruptcy proceedings."

Article 55

The title of Article 276 is amended to read: "Collateral promise".

Article 276 is amended to read:

"When, in the course of preliminary proceedings, a third party makes a collateral promise for the debt of the credit institution in accordance with the provisions of the Bankruptcy Act, the bankruptcy judge shall require the provision of adequate collateral."

Article 56

After Article 276, Articles 276a, 276b, 276c and 276d and their titles are inserted which read:

"Examination of the economic and financial position of a credit institution

Article 276a

(1) When a bankruptcy judge orders the examination of the economic and financial position of the credit institution, a temporary trustee in bankruptcy or the appointed expert shall, before preparing a report or opinion, request the Croatian National Bank to deliver its opinion on the economic and financial position of the credit institution within eight days. The Croatian National Bank shall deliver its opinion to the bankruptcy court and the temporary trustee in bankruptcy or the appointed expert.

(2) In the case of disagreement with the opinion of the Croatian National Bank, the temporary trustee in bankruptcy or the appointed expert shall state the reasons for disagreement in the report or opinion.

Invitation to the Croatian National Bank
Article 276b

Where a request to open bankruptcy proceedings has been submitted by a credit institution's creditor or the credit institution itself, the bankruptcy judge shall invite a representative of the Croatian National Bank to all hearings in preliminary proceedings in order to hear his/her statement and shall deliver all decisions adopted to the Croatian National Bank.

Appointment of a trustee in bankruptcy
Article 276c

Before appointing a trustee in bankruptcy of a credit institution, a bankruptcy judge shall hear a representative of the Croatian National Bank on the qualities required of a person to be appointed a trustee in bankruptcy.

Content of a decision to open bankruptcy proceedings
Article 276d

A decision to open bankruptcy proceedings shall specify:

1. the firm name, scope of activities and registered office of the debtor,
2. the name, surname and address of the trustee in bankruptcy, and
3. the date, hour and minute of the opening of bankruptcy proceedings."

Article 57

Article 279 is amended to read:

"A bankruptcy judge shall deliver a decision on the stay and closure of bankruptcy proceedings to the Croatian National Bank as well."

Article 58

Article 287 is amended to read:

"In cases where the Croatian National Bank is the consolidating supervisor, in addition to the obligations imposed by the provisions of this Act, the Croatian National Bank shall also carry out the following tasks:

- 1) coordination of the gathering and dissemination of relevant or essential information between the competent authorities involved in supervision on a consolidated basis in going concern and emergency situations;
- 2) planning and coordination of supervisory activities in going concern situations, including in relation to the activities referred to in Article 48, paragraph (3), Article 111,

Articles 176 to 179, Article 197, Article 236 and Article 237 of this Act, in cooperation with the competent authorities involved; and

3) planning and coordination of supervisory activities in cooperation with the competent authorities involved, and if necessary with central banks, in preparation for and during emergency situations, including adverse developments in credit institutions or in financial markets using, where possible, existing defined channels of communication for facilitating crisis management. The planning and coordination of supervisory activities includes exceptional measures referred to in Article 293, paragraph (3), item (4) of this Act, the preparation of joint assessments, the implementation of contingency plans and communication to the public."

Article 59

After Article 287, Article 287a and its title are inserted which read:

"College of supervisors Article 287a

(1) Where the Croatian National Bank is the consolidating supervisor, it shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 287, 288, 290a and 291 of this Act. When a member of a group is situated in a third country or has branches in a third country, the Croatian National Bank shall, subject to the provisions of Article 225 of this Act and compatibility with Croatian law, ensure appropriate coordination and cooperation with relevant third-country competent authorities.

(2) The college of supervisors shall provide a framework for the Croatian National Bank and the other competent authorities concerned to carry out the following tasks:

- 1) exchanging information;
- 2) agreeing on voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate;
- 3) determining supervisory examination programmes based on a risk assessment of the group of credit institutions;
- 4) increasing the efficiency of supervision by removing duplication of supervisory requirements, including in relation to the information requests referred to in Article 293, paragraphs (4) and (5) of this Act;
- 5) consistently applying the prudential requirements under this Act across all members within a group of credit institutions without prejudice to the options and discretions available in Community legislation; and
- 6) applying the provisions of Article 287, item (3) of this Act taking into account the work of other forums that may be established in this area.

(3) The Croatian National Bank shall cooperate closely with other competent authorities participating in the college of supervisors taking into account the responsibilities of the

competent authorities. The establishment and functioning of the college shall not affect the responsibilities of the competent authorities under this Act.

(4) The establishment and functioning of the college shall be based on written arrangements referred to in Article 292 of this Act, determined after consultation with competent authorities concerned by the Croatian National Bank as the consolidating supervisor.

(5) The Croatian National Bank may also invite the following to participate in the activities of the college:

- the competent authorities of other Member States in which a member of a group of credit institutions in the RC has its registered office;
- the competent authorities of other Member States where significant branches of a credit institution which has its registered office in the Republic of Croatia are established; and
- central banks of other Member States, where appropriate.

(6) In addition to the authorities referred to in paragraph (4) of this Article, the Croatian National Bank may, where appropriate and subject to confidentiality requirements that are equivalent, in the opinion of all competent authorities, to the requirements relating to the duty to protect the confidentiality of information under Article 225 of this Act, also invite third countries' competent authorities to participate in the college.

(7) The Croatian National Bank shall chair the meetings of the college and shall decide which competent authorities participate in a meeting and/or in an activity of the college. The Croatian National Bank shall keep all members of the college fully informed, in a timely manner, of:

- the time and place of such meetings, the main issues to be discussed and the activities to be considered; and
- the actions taken in those meetings or the measures carried out.

(8) The Croatian National Bank shall take account of the relevance of the supervisory activity to be planned for those authorities, in particular the potential impact on the stability of the financial system in the Member States concerned and the obligations referred to in Article 222b, paragraphs (4) and (5) of this Act.

(9) Subject to the provisions of this Act on the confidentiality of information, the Croatian National Bank shall inform the Committee of European Banking Supervisors of the activities of the college of supervisors, including in emergency situations."

Article 60

The title of Article 288 is amended to read: "Deciding on permissions in cases where the Croatian National Bank is the consolidating supervisor".

In Article 288, paragraph (1), the introductory phrase is amended to read:

"(1) In cases where the Croatian National Bank is the consolidating supervisor and where the EU parent credit institution and its subsidiary institutions, or subsidiary credit and other institutions of an EU parent financial holding company submitted a joint application for one of the following permissions, the Croatian National Bank shall cooperate with the competent authorities of the Member States in which there are registered offices of other institutions included in a group of credit institutions in the RC when deciding whether to grant the permission sought, and to determine the terms and conditions, if any, to which such permission should be subject:".

Article 61

The title of Article 289 is amended to read: "Deciding on permissions in cases where the Croatian National Bank is not the consolidating supervisor".

Article 62

After Article 290, Articles 290a and 290b and their titles are inserted which read:

"Deciding in cases where the Croatian National Bank is the consolidating supervisor Article 290a

(1) The Croatian National Bank as the consolidating supervisor and the competent authorities of the Member States in which there are registered offices of other institutions included in a group of credit institutions in the EU shall cooperate to reach a joint decision:

- in the field of supervision and assessment of the adequacy of procedures in place to assess and maintain internal capital to determine the adequacy of the consolidated level of own funds held by the group of credit institutions in the EU with respect to its financial situation and risk profile; and
- to impose a higher required level of own funds in accordance with Article 237 of this Act to each member of the group of credit institutions in the EU and on a consolidated basis.

(2) Based on the supervision exercised and the assessment of the adequacy of procedures in place to assess and maintain internal capital of the group of credit institutions in the EU, the Croatian National Bank shall submit a report containing the risk assessment of the group of credit institutions in the EU to the competent authorities of the Member States in which there are registered offices of other institutions included in the group of credit institutions in the EU.

(3) The joint decision referred to in paragraph (1) of this Article shall be reached within four months after submission of the report referred to in paragraph (2) of this Article.

The joint decision shall also duly consider the risk assessment of the members of the group of credit institutions in the EU performed by relevant competent authorities of other Member States. This decision must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution.

(4) By way of derogation from paragraph (3) of this Article, until 31 December 2012, the joint decision referred to in paragraph (1) of this Article shall be reached within six months.

(5) In the event of disagreement on the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank shall at the request of any of the other competent authorities concerned consult the Committee of European Banking Supervisors. The Croatian National Bank may consult the Committee of European Banking Supervisors on its own initiative.

(6) In the absence of a joint decision within the period referred to in paragraph (3) or (4) of this Article, the joint decision referred to in paragraph (1) of this Article shall be taken on a consolidated basis by the Croatian National Bank after duly considering the risk assessment of the members of the group of credit institutions in the EU performed by relevant competent authorities. The Croatian National Bank shall take a decision on each member of the group within its competence.

(7) In the case referred to in paragraph (6) of this Article, the decisions of all competent authorities for individual members of the group shall be set out in a single document containing the fully reasoned decisions and shall take into account the risk assessment for each member of the group of credit institutions in the EU, and views and reservations expressed during the period referred to in paragraph (3) or (4) of this Article. The Croatian National Bank shall deliver the document to all competent authorities referred to in paragraph (1) of this Decision and to the EU parent credit institution.

(8) In the case referred to in paragraph (5) of this Article, all competent authorities shall consider the advice of the Committee of European Banking Supervisors and explain any significant deviation therefrom.

(9) The decisions referred to in paragraph (3) or (6) of this Article shall be recognised as determinative and shall be applied by all authorities referred to in paragraph (1) of this Article. Based on the decisions referred to in paragraph (3) or (6) of this Article, the Croatian National Bank shall take a decision and deliver it to the member of the group of credit institutions in the EU within its competence.

(10) The decisions referred to in paragraph (3) or (6) of this Article shall be updated on an annual basis.

(11) By way of derogation from paragraph (10) of this Article, the decision referred to in paragraph (3) of this Article in the part related to the imposition of a higher required level of own funds referred to in paragraph (1), second indent of this Article shall be updated if the competent authority of another Member State makes a written and fully reasoned request to the Croatian National Bank to update the decision. The update may be addressed on a bilateral basis between the Croatian National Bank and the competent authority making the request.

Deciding in cases where the Croatian National Bank is not the consolidating supervisor
Article 290b

(1) Where the competent authority of another Member State is the consolidating supervisor of a group of credit institutions in the EU, the Croatian National Bank shall participate in the process of reaching a joint decision:

- in the field of supervision and assessment of the adequacy of procedures in place to assess and maintain internal capital to determine the adequacy of the consolidated level of own funds held by the group of credit institutions in the EU with respect to its financial situation and risk profile; and
- to impose a higher required level of own funds in accordance with Article 237 of this Act to each member of a group of credit institutions in the EU and on a consolidated basis.

(2) Based on the supervision exercised and the assessment of the adequacy of procedures in place to assess and maintain internal capital of a member of the group of credit institutions in the EU within its competence, the Croatian National Bank shall prepare a report containing the risk assessment of that member and submit it to the consolidating supervisor.

(3) If the joint decision referred to in paragraph (1) of this Article is reached, the Croatian National Bank shall adopt an appropriate decision and deliver it to a member of the group of credit institutions in the EU within its competence.

(4) In the event of disagreement on the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank may submit a request to the consolidating supervisor to consult the Committee of European Banking Supervisors.

(5) In the absence of a joint decision within four months after submission by the consolidating supervisor of a report containing the risk assessment of the group of credit institutions in the EU, the Croatian National Bank shall take the decision referred to in paragraph (1) of this Article on each member of the group of credit institutions within its competence after duly considering the views and reservations expressed by the consolidating supervisor.

(6) Where, at the request of the consolidating supervisor, the Committee of European Banking Supervisors has been consulted on the decision referred to in paragraph (1) of this Article, the Croatian National Bank shall consider such advice when taking a decision referred to in paragraph (5) of this Article, and explain any significant deviation therefrom.

(7) The Croatian National Bank may make a written and fully reasoned request to the consolidating supervisor to update the decision referred to in paragraph (1) of this Article, in the part related to the imposition of a higher required level of own funds referred to in paragraph (1), second indent of this Article."

Article 63

Article 291 is amended to read:

"(1) Where an emergency situation arises within a group of credit institutions in the EU of which the Croatian National Bank is the consolidating supervisor, and where the emergency situation potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States where members of the group have been authorised or where significant branches of a credit institution established in the Republic of Croatia provide services, the Croatian National Bank shall immediately alert the persons referred to in Article 225, paragraph (1), items (7) and (8) of this Act and shall communicate all information that is essential for the pursuance of their tasks.

(2) Where the Croatian National Bank is not the consolidating supervisor and where it, within the framework of its competence under law, becomes aware that the emergency situation referred to in paragraph (1) of this Article may arise, it shall alert the consolidating supervisor in another Member State using existing defined channels of communication."

Article 64

In Article 293, paragraph (3), item (4), the number "237" is replaced by the number "236".

Article 65

Article 304 is amended to read:

"For the purposes of the provisions of this Act, 'consumer' means any natural person who is a client of a credit institution, and who is acting for purposes outside his/her trade or profession."

Article 66

In Article 305, paragraph (4) is deleted.

Article 67

After Article 309, Article 309a and its title are inserted which read:

"Out-of-court settlements of disputes

Article 309a

(1) In all disputes which may arise in the implementation of the provisions of this Act between a consumer as a user of banking and/or financial services and a credit institution as a provider of banking and/or financial services, a proposal for conciliation may be submitted to the Conciliation Centre at the Croatian Chamber of Economy.

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

(3) Subject to the agreement of the Minister of Finance, the Croatian Chamber of Economy shall adopt a decision on the costs of conciliation in consumer disputes which shall specify the amount of fees and remuneration as well as other costs of the conciliation proceedings referred to in paragraph (1) of this Article.

(4) Settlements made in conciliation proceedings before the centre referred to in paragraph (1) of this Article shall be regarded as enforceable documents.

(5) Funds for the costs of conciliation proceedings before the conciliation centre referred to in paragraph (1) of this Article shall be provided in the state budget."

Article 68

In Article 310, paragraph (1), the number "309" is replaced by the number "309a".

Article 69

In Article 323, paragraph (2) is deleted.

The former paragraph (3) becomes paragraph (2).

Article 70

In Article 360, paragraph (1), the words "a credit institution" in the introductory phrase are replaced by the words "a bank".

In paragraph (2), the words "the credit institution's" shall be replaced by the words "the bank's".

Article 71

In Article 361, paragraph (1), after item (5), a new item (6) is inserted which reads:

"6) if it fails to ensure that the client's explicit agreement in writing is given in a separate document in accordance with the provision of Article 169, paragraph (5) of this Act;"

The former items (6) to (18) become items (7) to (19).

The former item (19), which becomes item (20), is amended to read:

"20) if it fails to disclose its general operating conditions in accordance with the provisions of Article 306 of this Act."

Article 72

In Article 363, paragraph (1), item (2) is deleted.

The former items (3) and (4) become items (2) and (3).

In paragraph (2), item (1), the number "(10)" is replaced by the number "(12)."

Article 73

In Article 364, after paragraph (8), new paragraphs (9), (10) and (11) are inserted which read:

"(9) Legal persons who are shareholders of a credit institution and who fail to act in accordance with the provision of Article 34, paragraphs (11) and (12) of this Act shall be fined between HRK 500,000.00 and HRK 1,000,000.00.

(10) A responsible person of the legal person that committed the violation referred to in paragraph (9) of this Article shall be fined between HRK 50,000.00 and HRK 100,000.00.

(11) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 34, paragraphs (11) and (12) of this Act shall be fined between HRK 50,000.00 and HRK 100,000.00 kuna."

The former paragraphs (9) to (14) become paragraphs (12) to (17).

Article 74

In Article 366, paragraph (1), after item (1), a new item (2) is inserted which reads:

"2) if it fails to deliver an audit plan to the Croatian National Bank within the time limit and in the manner prescribed in Article 191, paragraph (4) of this Act;"

The former items (2) and (3) become items (3) and (4).

In the former item (4), which becomes item (5), the number "(3)" is replaced by the number "(6)".

Article 75

In Article 369, paragraph (4), the eighth and twelfth indents are deleted.

After paragraph (4), a new paragraph (5) is inserted which reads:

"(5) Credit institutions shall begin to operate in full compliance with the provision of Article 122, paragraph (3) of this Act governing the adoption of business continuity plans by 1 July 2010 at the latest."

The former paragraphs (5) to (8) become paragraphs (6) to (9).

Article 76

In Article 373, paragraph (1) is amended to read:

"1) The Banking Act (Official Gazette 84/2002 and 141/2006) shall cease to have effect on the date of the entry into force of this Act, with the exception of the provisions of Article 28, paragraph (1), item (3), Articles 62, 63, 65, 66, 68, 69, 70, 72, 74 to 78, 82, 83, 87, 128, paragraphs (1) and (2), Article 132, paragraph (2), item (3) and Article 182 which shall cease to have effect on 30 March 2010."

Article 77

In the entire text of the Credit Institutions Act (Official Gazette 117/2008 and 74/2009), Croatian words translated as "voluntary winding-up" are replaced by other Croatian words in the appropriate grammatical number and case, with no relevance to the English translation, and in the introductory phrase of Article 35, its paragraph (1), item (1) under (g), its paragraphs (4) to (6), Article 36 and its title, the title of Article 37, Article 38 and its title, Article 39, the title of Article 40, Article 45, paragraph (6), after the word "issuing", Article 46, paragraphs (8) and (13) and its title, Article 47, paragraph (2) and its title, Article 64, the title of Article 154, the title of Article 160 and Article 360, paragraph (1), item (29), the Croatian word translated as "approval" in

various grammatical numbers and cases is replaced by the words "prior approval" in the appropriate grammatical numbers and cases.

TRANSITIONAL AND FINAL PROVISIONS

Proceedings in progress

Article 78

(1) All proceedings where a request to open bankruptcy proceedings has been submitted before the entry into force of this Act but the decision to open bankruptcy proceedings has not been adopted up to the date of the entry into force of this Act shall be completed in accordance with the provisions of the law in force at the time of the request.

(2) All bankruptcy proceedings opened before the entry into force of this Act shall be completed in accordance with the provisions of the law in force at the time of the adoption of the decision to open bankruptcy proceedings.

Time limits for compliance with the provisions of this Act

Article 79

Shareholders of a credit institution shall adjust to the provisions of Article 9 of this Act within six months of the entry into force of this Act.

Provisions of this Act that shall cease to have effect on the date of accession of the Republic of Croatia to the European Union

Article 80

In Article 150 of the Credit Institutions Act (Official Gazette 117/2008 and 74/2009), which is amended by Article 26 of this Act, paragraph (5) shall cease to have effect on the date of accession of the Republic of Croatia to the European Union.

Entry into force

Article 81

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2010, with the exception of the provisions of Articles 1 and 18 of this Act, which shall enter into force on 1 January 2011, and the provisions of Articles 20, 27, 45, 59 and 62 of this Act, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.

Class: 450-05/09-01/03

Zagreb, 11 December 2009

THE CROATIAN PARLIAMENT
The President of the Croatian Parliament

Luka Bebić, m.p.