

Pursuant to Article 39, paragraph 2 (i) of the Croatian National Bank Act (Official Gazette 36/2001), the Governor of the Croatian National Bank enacts the following

D E C I S I O N

- 1. A Plan for Drawing up Draft Credit Institutions Act, implementing the *Capital Requirements Directive* - CRD which is superseding Directive 2000/12/EC and Directive 93/6/EEC, is hereby being enacted.**
- 2. A Plan for Drawing Up Draft Credit Institutions Act constitutes an integral part of this Decision.**
- 3. This Decision comes into effect as of the date of its enactment.**

**Reg. No. 372-20/06-06/ŽR
Zagreb, 5 June 2006.**

**Governor
Dr. Željko Rohatinski**

**A Plan for Drawing Up Draft Credit Institutions Act Implementing
the *Capital Requirements Directive* - CRD, superseding Directive
2000/12/EC and Directive 96/6/EEC)**

May 2006

1. Introductory Remarks

(1) As provided by the Resolution on the Strategic Guidelines for Negotiations between the Republic of Croatia and the European Union adopted by the Croatian Parliament on 14 October 2005, the process of legislative harmonisation of the Republic of Croatia with EU acquis should be completed until end-2008.

(2) EU acquis governing the business of credit institutions is based, among others, on the Capital Requirements Directive (CRD) which supersedes the existing two directives, Directive 2000/12/EC and Directive 93/6/EEC. The Capital Requirements Directive (hereinafter " the Directive") provides an EU regulatory framework which lays down rules for measuring capital and determining capital standards in accordance with Basel II of the Basel Committee on Banking Supervision with the Bank for International Settlements in Basel.

(3) Under this Decision, the Croatian National Bank is adopting a Plan for Drawing up Draft Credit Institutions Act, an act implementing the Capital Requirements Directive, until end-2008 (hereinafter: "the Plan").

2. Objective

(1) The Plan's primary objective is to set the time limits and the manner of drawing up a Draft Credit Institutions Act and relevant implementing subordinate legislation.

3. Project Team Organisation

(1) A project team has been set up in the Croatian National with a task of drawing up a Draft Credit Institutions Act and the relevant implementing subordinate legislation. The project team consists of eight subteams:

1. Subteam for Credit Institutions Act
2. Subteam for credit risk - internal rating system
3. Subteam for credit risk - standardised approach
4. Subteam for credit risk - securatisation
5. Subteam for operative risks
6. Subteam for market risk
7. Subteam for pillar II
8. Subteam for pillar III.

(2) Responsibility for project team coordination lies with the Executive Director of the Prudential Regulation and Bank Supervision Area.

(3) Responsibility for coordination of the subteams referred to in items of paragraph 1 of this Article lies with the following department directors:

1. for items 2, 3, 4 and 6, the Director of On-Site Risk Management Supervision Department,
2. for item 5, the Director of Specialised On-Site Supervision Department
3. for items 1 and 7, the Director of Prudential Regulation and Banking System Analysis Department
4. for item 8, the Director of Off-Site Supervision Department.

4. Time Limits for Drawing up/Adoption of the Draft Act

(1) The Croatian National Bank shall draw up the Draft Credit Institutions Act and prescribe the necessary subordinate legislation for the implementation of that act in accordance with the following schedule:

Type of document / activities	Time limits		
	Credit Institutions Act	Subordinate legislation	Instruction for the implementation of the subordinate legislation
First draft	March 2007	April 2007	March 2008
Public discussion (including presentations, seminars and workshops)	July - September 2007	July -October 2007	April - June 2008
Second draft	November 2007		
Final draft	December 2007	December 2007	August 2008
Expected adoption	March 2008	September 2008	September 2008

(2) Under the Plan, the Croatian National Bank will conduct the first quantitative impact study (QIS) from March to September 2007 and from April to June 2008.

5. Institutional cooperation

(1) In the process of drawing up the Draft Credit Institutions Act and the relevant implementing subordinate legislation, the Croatian National Bank will cooperate with the Ministry of Finance, the Croatian Financial Services Supervision Agency and other relevant public administration bodies, institutions subject to its supervision and foreign supervisory bodies, all with a view to ensuring efficacious implementation of this Directive.

(2) For the purpose of establishing cooperation pursuant to paragraph 1 of this Article, the following activities have been envisaged:

1. on-going cooperation and communication with the representatives of supervised institutions with a view to achieving better understanding of the specific nature of their business operations,
2. holding presentations and workshops in connection with the Directive and new legislative proposals,
3. making simulations of the effects of individual national discretions provided for under the Directive,
4. maintain contacts with other domestic and foreign supervisory authorities of supervised institutions, and reaching an agreement concerning the licensing of internal models for the calculation of capital requirements for credit, operating and market risks,
5. soliciting opinions from supervisory authorities, experts in the field and possibly other supervisory authorities about the new draft legislation,
6. conducting internal model prevalidation and validation in connection with their licensing for the purpose of calculating capital requirements.

6. Reporting on Project Team Work

(1) The project team will, not less than once every six months, inform in writing the Governor of the Croatian National Bank about its work.

(2) The report referred to in paragraph 1 will contain information about the time limits and activities envisaged under the Plan as well as about achieved and planned cooperation with other bodies.

7. Project Team Funding

(1) The funding for the execution of the Plan has been provided in the budget of the Croatian National Bank (budget item: Project Basel II).

(2) The funding referred to in paragraph 1 of this Article is intended to cover education costs, purchase of necessary literature, hiring of external experts, and remuneration to project team members.