

# **CREDIT INSTITUTIONS ACT**

**Unofficial consolidated version  
(Official Gazette 159/2013, 19/2015, 102/2015, 15/2008, 70/2019, 47/2020,  
146/2020, 151/2022 and 145/2024)**

## **I GENERAL PROVISIONS**

### *Subject matter*

#### Article 1

This Act governs:

- 1) the conditions for the establishment, operation and dissolution of credit institutions with head offices in the Republic of Croatia, as well as their prudential supervision;
- 2) the conditions under which legal persons with head offices outside the Republic of Croatia may provide banking and/or financial services in the Republic of Croatia; and
- 3) publication requirements for the Croatian National Bank in the field of prudential regulation and supervision of credit institutions.

### *Compliance with the regulations of the European Union*

#### Article 2

(1) This Act transposes the following directives into the legal system of the Republic of Croatia:

- 1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27. 6. 2013, hereinafter referred to as 'Directive 2013/36/EU'), as last amended by Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5. 12. 2019);
- 2) This Act further regulates the implementation of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27. 6. 2013, hereinafter referred to as 'Regulation (EU) No 575/2013', as last amended by Regulation (EU) 2021/558 of the European Parliament and of the Council of 31 March 2021 (OJ L 116, 6. 4. 2021) amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis;
- 3) Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit guarantee schemes (OJ L 135, 31. 5. 1994), as last amended by Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC

on deposit-guarantee schemes as regards the coverage level and the payout delay (OJ L 68, 13. 3. 2009);

4) Directive 2014/49/EC of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12. 6. 2014);

5) Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents (OJ L 44, 16. 2. 1989);

6) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the Council (OJ L 173, 12. 6. 2014, hereinafter referred to as 'Directive 2014/59/EU'), as last amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (OJ L 150, 7. 6. 2019);

7) Directive (EU) 2022/2556 of the European Parliament and of the Council of 14 December 2022 amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341 as regards digital operational resilience for the financial sector (Text with EEA relevance) (OJ L 333, 27.12.2022) (hereinafter referred to as 'Directive (EU) 2022/2556').

(2) This Act further regulates the implementation of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27. 6. 2013, hereinafter referred to as 'Regulation (EU) No 575/2013'), as last amended by Regulation 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (Text with EEA relevance) (OJ L, 2024/1623, 19.6.2024).

(3) This Act further regulates the implementation of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27. 5. 2014, hereinafter referred to as 'Regulation (EU) No 537/2014').

(4) This Act further regulates the implementation of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29. 10. 2013, hereinafter referred to as 'Regulation (EU) No 1024/2013').

(5) This Act further regulates the implementation of Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (OJ L 141/1, 14. 5. 2014, hereinafter referred to as 'Regulation (EU) No 468/2014').

(6) This Act further regulates the implementation of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the

framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30. 7. 2014, hereinafter referred to as 'Regulation (EU) No 806/2014').

(7) This Act further regulates the implementation of Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance) (OJ L 150, 9.6.2023) (hereinafter referred to as 'Regulation (EU) 2023/1114').

(8) This Act further regulates the implementation of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (Text with EEA relevance) (OJ L 333, 27.12.2022) (hereinafter referred to as 'Regulation (EU) 2022/2554').

### *Terms used in this Act*

#### Article 3

(1) For the purposes of this Act, the following terms shall have the following meaning:

1) '*immediate family member*' means:

1. the spouse or the person who, in accordance with a special law, has the status equivalent to that in a marriage, or a person with whom the person has concluded a life partnership in accordance with the law governing same-sex life partnerships;

2. a parent, a son, an adopted son, a daughter or an adopted daughter of the person;

3. a son, an adopted son, a daughter or an adopted daughter of the person referred to in sub-item (1) of this item;

4. another person without full legal capacity and under the custody of the person;

2) '*discretionary pension benefits*' shall have the meaning as defined in Article 4, paragraph (1), item (73) of Regulation (EU) No 575/2013;

3) '*subsidiary*' shall have the meaning as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;

4) '*insurance undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (5) of Regulation (EU) No 575/2013;

5) '*ancillary services undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (18) of Regulation (EU) No 575/2013;

6) '*reinsurance undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (6) of Regulation (EU) No 575/2013;

7) '*asset management company*' shall have the meaning as defined in Article 4, paragraph (1), item (19) of Regulation (EU) No 575/2013;

8) '*host Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (44) of Regulation (EU) No 575/2013;

8a) '*participating Member State*' shall have the meaning as defined in Article 2, item (1) of Regulation (EU) No 1024/2013;

9) '*financial institution*' shall have the meaning as defined in Article 4, paragraph (1), item (26) of Regulation (EU) No 575/2013;

10) '*leverage*' shall have the meaning as defined in Article 4, paragraph (1), item (93) of Regulation (EU) No 575/2013;

11) '*financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (20) of Regulation (EU) No 575/2013;

12) '*financial instrument*' shall have the meaning as defined in Article 4, paragraph (1), item (50) of Regulation (EU) No 575/2013;

13) *Deleted.*

13a) '*global systemically important credit institution*' (hereinafter referred to as 'G-SII') shall have the meaning as defined in Article 4, paragraph (1), item (133) of Regulation (EU) No 575/2013;

13b) '*non-EU global systemically important credit institution*' (hereinafter referred to as 'non-EU G-SII') shall have the meaning as defined in Article 4, paragraph (1), item 134. of Regulation (EU) No 575/2013;

14) '*group*' shall have the meaning as defined in Article 4, paragraph (1), item (138) of Regulation (EU) No 575/2013;

14a) '*third-country group*' means a group the parent undertaking of which is established in a third country;

15) '*group of credit institutions*' shall have the meaning as defined in Article 17 of this Act;

16) '*group of credit institutions in the EU*' means a group of credit institutions the ultimate parent institution of which is an EU parent credit institution, an EU parent financial holding company or an EU parent mixed financial holding company, which is not at the same time a group of credit institutions in the Republic of Croatia (hereinafter referred to as 'RC');

17) '*group of credit institutions in the RC*' shall have the meaning as defined in Article 278 of this Act;

18) '*group of connected clients*' shall have the meaning as defined in Article 4, paragraph (1), item (39) of Regulation (EU) No 575/2013;

19) '*designated authority*' means the authority responsible for setting the countercyclical buffer rate, the structural systemic risk buffer rate, or the G-SII buffer (hereinafter referred to as 'G-SII') and the O-SII buffer rate (hereinafter referred to as 'O-SII');

19a) '*institution*' shall have the meaning as defined in Article 4, paragraph (1), item (3) of Regulation (EU) No 575/2013;

(20) *Deleted.*

21) '*internal approaches*' means approaches for which prior supervisory permission is required, including the Internal Ratings Based Approach referred to in Article 143, paragraph (1) of Regulation (EU) No 575/2013, the model of own LGD estimates referred to in Article 161, paragraph (3) of Regulation (EU) No 575/2013, internal model to calculate a one-sided credit valuation adjustment (CVA) referred to in Article 162, paragraph (2), item (h) of Regulation

(EU) No 575/2013, the Internal Models Approach referred to in Article 221, of Regulation (EU) No 575/2013, the Own Estimates Approach referred to in Article 225 of Regulation (EU) No 575/2013, the Internal Model Method referred to in Article 283, paragraph (1) of Regulation (EU) No 575/2013, the Advanced Measurement Approach referred to in Article 312, paragraph (2) of Regulation (EU) No the model to calculate delta for OTC-options referred to in Article 329, paragraph (1) of Regulation (EU) No 575/2013, the sensitivity model to calculate the positions referred to in Article 331, paragraph (1) of Regulation (EU) No 575/2013, the model to calculate delta referred to in Article 358, paragraph (3) of Regulation (EU) No 575/2013, an internal model to calculate own funds requirements referred to in Article 363, paragraph (1) of Regulation (EU) No 575/2013, an internal model for correlation trading referred to in Article 377, paragraph (1) of Regulation (EU) No 575/2013 and an internal model referred to in Article 383, paragraph (4) of Regulation (EU) No 575/2013;

22) '*investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (2) of Regulation (EU) No 575/2013;

22a) '*Single Supervisory Mechanism*' ('SSM') shall have the meaning as defined in Article 2, item (9) of Regulation (EU) No 1024/2013;

22b) '*Single Resolution Board*' means the board established in accordance with Article 42 of Regulation (EU) No 806/2014;

23) '*trading book*' shall have the meaning as defined in Article 4, paragraph (1), item (86) of Regulation (EU) No 575/2013;

24) '*consolidating supervisor*' shall have the meaning as defined in Article 4, paragraph (1), item (41) of Regulation (EU) No 575/2013; in the Republic of Croatia, consolidating supervisor is the Croatian National Bank where it is designated as the consolidating supervisor in Article 278 of this Act;

25) '*consolidated basis*' shall have the meaning as defined in Article 4, paragraph (1), item (48) of Regulation (EU) No 575/2013;

26) '*consolidated situation*' shall have the meaning as defined in Article 4, paragraph (1), item (47) of Regulation (EU) No 575/2013;

27) '*control*' shall have the meaning as defined in Article 4, paragraph (1), item (37) of Regulation (EU) No 575/2013;

28) '*credit institution*' shall have the meaning as defined in Article 4, paragraph (1), item (1) of Regulation (EU) No 575/2013;

28a) '*credit institution which is not a large credit institution*' means a credit institution which does not meet the conditions laid down in Article 4, paragraph (1), item (146) of Regulation (EU) No 575/2013 and whose four-year average assets reported in audited financial statements as at the last day of the preceding four business years on an individual basis do not exceed an amount equivalent to EUR 1 billion;

29) '*qualifying holding*' shall have the meaning as defined in Article 4, paragraph (1), item (36) of Regulation (EU) No 575/2013;

29a) '*less significant supervised entity*' shall have the meaning as defined in Article 2, item (7) of Regulation (EU) No 468/2014;

29b) '*less significant supervised group*' shall have the meaning as defined in Article 2, item (23) of Regulation (EU) No 468/2014;



29c) '*small and non-complex credit institution*' means a credit institution which meets the conditions referred to in Article 4, paragraph (1), item (145) of Regulation (EU) No 575/2013, where, for the purpose of the applicable threshold referred to in sub-item (b) of that item of Regulation (EU) No 575/2013 in the Republic of Croatia that threshold is lowered to an amount of EUR 1 billion;

29d) '*small remuneration*' means remuneration of a credit institution's staff member whose gross variable remuneration on an annual basis does not exceed the amount of EUR 50,000.00 and does not account for more than one third of the staff member's total gross remuneration on an annual basis;

30) '*home Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (43) of Regulation (EU) 575/2013;

31) '*parent institution in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (28) of Regulation (EU) 575/2013;

32) '*EU parent institution*' shall have the meaning as defined in Article 4, paragraph (1), item (29) of Regulation (EU) 575/2013;

32a) '*EU parent institution*' shall have the meaning as defined in Article 4, paragraph (1), item (29) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

32b) '*parent credit institution in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (29c) of Regulation (EU) No 575/2013;

32c) '*EU parent credit institution*' shall have the meaning as defined in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013;

33) '*EU parent credit institution having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

34) '*RC parent credit institution*' shall have the meaning as defined in Article 4, paragraph (1), item (29c) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

34a) '*parent investment firm in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013;

34b) '*EU parent investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (29b) of Regulation (EU) No 575/2013;

34c) '*EU parent investment firm having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

34d) '*RC parent investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

35) '*parent financial holding company in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (30) of Regulation (EU) No 575/2013, but excluding an RC parent financial holding company;

36) '*EU parent financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013;

37) '*EU parent financial holding company having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

38) '*RC parent financial holding company*' means a financial holding company which is not itself a subsidiary of a credit institution or an investment firm authorised in the Republic of Croatia, or of a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent financial holding company;

39) '*parent mixed financial holding company in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (32) of Regulation (EU) No 575/2013, but excluding an RC parent mixed financial holding company;

40) '*EU parent mixed financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013;

41) '*EU parent mixed financial holding company having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

42) '*RC parent mixed financial holding company*' means a mixed financial holding company which is not itself a subsidiary of a credit institution or an investment firm authorised in the Republic of Croatia, or of a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent mixed financial holding company;

43) '*parent undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (15) of Regulation (EU) No 575/2013;

(44) '*micro, small and medium-sized enterprises*' shall have the meaning as defined taking into consideration the annual turnover criterion referred to in Article 2, paragraph (1) of the Annex to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of macro, small and medium-sized enterprises (OJ L 124, 20. 5. 2003), including non-profit organisations;

(45) *Deleted.*

46) '*mixed financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (21) of Regulation (EU) No 575/2013;

47) '*mixed-activity holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (22) of Regulation (EU) No 575/2013;

47a) *Deleted.*

47b) '*national competent authority*' shall have the meaning as defined in Article 2, item (2) of Regulation (EU) No 1024/2013. In the Republic of Croatia, the national competent authority is the Croatian National Bank;

47c) '*national designated authority*' shall have the meaning as defined in Article 2, item (7) of Regulation (EU) No 1024/2013. In the Republic of Croatia, the national designated authority is the Croatian National Bank;

47d) '*national reference rate of the average cost of financing the Croatian banking sector*' ('NRR') shall have the meaning as defined in Article 2, paragraph (1), item (16) of the Consumer Credit Act (Official Gazette 75/2009, 112/2012, 143/2013, 147/2013, 9/2015, 78/2015, 102/2015 and 52/2016);

48) '*competent authority*' shall have the meaning as defined in Article 4, paragraph (1), item (40) of Regulation (EU) No 575/2013;

48a) '*supervised entity*' shall have the meaning as defined in Article 2, item (20) of Regulation (EU) No 468/2014;

48b) '*supervised entity*' shall have the meaning as defined in Article 2, item (21) of Regulation (EU) No 468/2014;

49) '*authorisation*' shall have the meaning as defined in Article 4, paragraph (1), item (42) of Regulation (EU) No 575/2013;

(50) *Deleted.*

51) '*eligible liabilities*' means eligible liabilities as defined in the law governing the resolution of credit institutions and investment firms;

52) '*branch*' shall have the meaning as defined in Article 4, paragraph (1), item (17) of Regulation (EU) No 575/2013;

53) '*indirect holder*' means a holder of shares, holdings or other rights providing him with a share of the capital or the voting rights of a legal person, which is:

1. a person for whose account another person (a direct holder) has acquired shares, holdings or other rights in a legal person;

2. a person closely linked with a direct holder of shares, holdings or other rights in a legal person and that person's immediate family members; or

3. a person who is an immediate family member of a direct holder;

54) '*indirect holding*' means a holding in the capital of a legal person or an acquisition of the voting rights of a legal person through a third party;

55) '*sub-consolidated basis*' shall have the meaning as defined in Article 4, paragraph (1), item (49) of Regulation (EU) No 575/2013;

56) '*eligible capital*' shall have the meaning as defined in Article 4, paragraph (1), item (71), sub-item (b) of Regulation (EU) No 575/2013;

56a) '*average daily income*' means total annual income as referred to in item (86) of this Article divided by 365;

57) '*countercyclical capital buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 118 of this Act, calculated with respect to each credit institution;

58) '*working day*' means a day other than a Saturday, a Sunday or a non-working day which has been declared a non-working day in accordance with the regulations of the Republic of Croatia, and in procedures in which the European Central Bank participates a non-working day also means a non-working day of the European Central Bank;



59) '*distributions*' shall have the meaning as defined in Article 4, paragraph (1), item (110) of Regulation (EU) No 575/2013;

60) '*common equity tier 1 capital*' shall have the meaning as defined in Article 50 of Regulation (EU) No 575/2013;

61) '*buffer guide*' means a benchmark buffer rate calculated in accordance with guidance of the European Systemic Risk Board referred to in Article 135, paragraph (1) of Directive 2013/36/EU on setting countercyclical buffer rates;

62) '*own funds*' shall have the meaning as defined in Article 4, paragraph (1), item (118) of Regulation (EU) No 575/2013;

62a) '*gender neutral remuneration policy*' means a remuneration policy based on equal pay for male and female workers for equal work or work of equal value;

63) *Deleted.*

64) *Deleted.*

65) *Deleted.*

66) *Deleted.*

67) *Deleted.*

67a) *Deleted.*

68) *Deleted.*

69) *Deleted.*

70) '*securitisation*' shall have the meaning as defined in Article 4, paragraph (1), item (61) of Regulation (EU) No 575/2013;

71) '*securitisation position*' shall have the meaning as defined in Article 4, paragraph (1), item (62) of Regulation (EU) No 575/2013;

72) '*securitisation special purpose entity*' or '*SSPE*' shall have the meaning as defined in Article 4, paragraph (1), item (66) of Regulation (EU) No 575/2013;

73) '*systemic risk*' means a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the economy as a whole;

74) '*systemically important credit institution*' means an EU parent credit institution, an EU parent financial holding company, and EU parent mixed financial holding company or a credit institution the failure or malfunction of which could lead to systemic risk;

75) '*credit risk mitigation*' shall have the meaning as defined in Article 4, paragraph (1), item (57) of Regulation (EU) No 575/2013;

75a) '*guidance on additional own funds*' means expectations of the competent authority to maintain the own funds above the levels of own funds requirements as set out in Part Three, Part Four and Part Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, (hereinafter referred to as '*Regulation (EU) 2017/2402*'), and imposed by Article 224, paragraph (1), item (20) of

this Act and defined in Article 3, item (91) of this Act or pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013, and, as applicable, which are necessary to attain the total level of own funds which the competent authority deems appropriate in accordance with Article 228a, paragraph (2) of this Act;

76) '*institution-specific countercyclical buffer rate*' means the rate that a specific credit institution calculates under the rules set out in Article 126 of this Act to calculate a countercyclical capital buffer;

77) '*central counterparty*' or '*CCP*' shall have the meaning as defined in Article 4, paragraph (1), item (34) of Regulation (EU) No 575/2013;

78) '*central banks*' shall have the meaning as defined in Article 4, paragraph (1), item (46) of Regulation (EU) No 575/2013;

79) '*ESCB central banks*' shall have the meaning as defined in Article 4, paragraph (1), item (45) of Regulation (EU) No 575/2013;

80) '*countercyclical buffer rate*' means the rate that credit institutions must apply in order to calculate their institution-specific countercyclical capital buffer, and that is set in accordance with Article 119 or 124 of this Act or by a relevant third-country authority, as the case may be;

81) '*structural systemic risk*' means a long-term non-cyclical systemic or macroprudential risk or the risk arising from the structure and organisation of the financial system;

81a) *Deleted.*

81b) '*financial sector entity*' shall have the meaning as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013;

82) '*participation*' shall have the meaning as defined in Article 4, paragraph (1), item (35) of Regulation (EU) No 575/2013;

83) '*associate of the acquirer of a qualifying holding*' means:

- any natural person that holds a management position in a legal entity in which the proposed acquirer of a qualifying holding in a credit institution holds a management position or is the beneficial owner of the legal entity;
- any natural person who is the beneficial owner of the legal entity in which the proposed acquirer of a qualifying holding in a credit institution holds a management position;
- any natural person who has joint beneficial ownership of a legal entity with the proposed acquirer of a qualifying holding in a credit institution;

84) '*associate of the applicant for prior approval to perform the function of a member of the credit institution's management board*' means:

- any natural person that holds a management position in a legal entity in which the candidate for a member of a credit institution's management board holds a management position or is the beneficial owner of the legal entity;
- any natural person who is the beneficial owner of the legal entity in which the candidate for a member of a credit institution's management board holds a management position;
- any natural person who has joint beneficial ownership of a legal entity with the candidate for a member of a credit institution's management board;

85) '*total risk exposure amount*' means the total risk exposure amount calculated in accordance with Article 92, paragraph (3) of Regulation (EU) No 575/2013;

86) '*total income*' means total annual net income of an undertaking in the preceding business year, including gross income consisting of interest receivable and similar income, income from shares and other variable and fixed-yield securities and commissions and fees receivable in accordance with Article 316 of Regulation (EU) No 575/2013. Exceptionally, for undertakings which are subsidiaries of a parent undertaking, the relevant net income from interest and fees shall be determined based on the consolidated annual financial statements of the ultimate parent undertaking;

86a) '*management body*' means an institution's body or bodies, which are appointed in accordance with the regulations of the Republic of Croatia or regulations of other countries, which are empowered to set the institution's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the institution; for credit institutions in the Republic of Croatia, it means the management and supervisory board;

87) '*close links*' shall have the meaning as defined in Article 4, paragraph (1), item (38) of Regulation (EU) No 575/2013;

88) '*large exposure*' means exposure as defined in Article 392 of Regulation (EU) No 575/2013;

89) '*large enterprises*' means enterprises not covered by item (44) of this Article;

90) '*senior management*' means those natural persons who exercise executive functions in the credit institution responsible for day-to-day operations of the credit institutions and are accountable for the day-to-day management of the credit institution to the management board;

91) '*combined buffer requirement*' means the total common equity tier 1 capital required to meet the requirement for the capital conservation buffer extended by the following, as applicable:

1. a countercyclical capital buffer;
2. a G-SII buffer;
3. an O-SII buffer;
4. a structural systemic risk buffer;

92) '*G-SII buffer*' means the own funds that G-SIIs are required to maintain in accordance with Article 135 of this Act;

93) '*capital conservation buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 117 of this Act;

94) '*O-SII buffer*' means the own funds that O-SIIs are required to maintain in accordance with Article 137 of this Act;

95) '*structural systemic risk buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 130 of this Act;

96) '*significant supervised group*' shall have the meaning as defined in Article 2, item (22) of Regulation (EU) No 468/2014;

97) '*significant supervised entity*' shall have the meaning as defined in Article 2, item (16) of Regulation (EU) No 468/2014;

98) '*information and communication technology service*' (hereinafter referred to as 'ICT service') means a service as defined in Article 3, item (21) of Regulation (EU) 2022/2554;

99) '*service provider*' means a third-party service provider that performs a specific outsourced process, service or activity, or parts of a process, service or activity, under an outsourcing arrangement;

100) '*ICT third-party service provider*' means an ICT third-party service provider as defined in Article 3, item (19) of Regulation (EU) 2022/2554;

101) '*network and information system*' means a network and information system as defined in Article 3, item (2) of Regulation (EU) 2022/2554;

102) '*crypto-asset*' means a crypto-asset as defined in Article 3, paragraph (1), item (5) of Regulation (EU) 2023/1114 and not a central bank digital currency;

103) '*electronic money token*' means an electronic money token as defined in Article 3, paragraph (1), item (7) of Regulation (EU) 2023/1114;

104) '*asset-referenced token*' means an asset-referenced token as defined in Article 3, paragraph (1), item (6) of Regulation (EU) 2023/1114;

105) '*crypto-asset services*' means crypto-asset services as defined in Article 3, paragraph (1), item (16) of Regulation (EU) 2023/1114;

106) '*digital operational resilience*' means a digital operational resilience as defined in Article 3, item (1) of Regulation (EU) 2022/2554;

107) '*information and communication technology risk*' (hereinafter referred to as 'ICT risk') means a risk as defined in Article 3, item (5) of Regulation (EU) 2022/2554;

108) '*exposure secured by residential property*' means an exposure as defined in Article 4, paragraph (1), item (75d) of Regulation (EU) No 575/2013;

109) '*exposure secured by commercial immovable property*' means an exposure as defined in Article 4, paragraph (1), item (75e) of Regulation (EU) No 575/2013.

(2) The terms *financial contracts, resolution tool, crisis prevention measure, resolution power, resolution, resolution action, resolution administration, resolution college, group resolution scheme, resolution entity, resolution authority, group resolution authority, entity for which the Single Resolution Board is directly responsible* used in this Act shall have the same meaning as the terms laid down in the law governing the resolution of credit institutions and investment firms.

(3) The entities referred to in Article 2, paragraph (5), items (3) to (23) of Directive 2013/36/EU within the meaning of Article 84 and Title XXII of this Act shall be considered financial institutions.

(4) The terms used in this Act that have a gender-specific connotation shall refer to both the male and female genders.

## *Cooperation within the European System of Financial Supervision*

### Article 4

(1) In the exercise of its duties, the Croatian National Bank shall take into account the convergence in respect of supervisory tools and supervisory practices in the application of this Act, Regulation (EU) No 575/2013 and other regulations. For that purpose, it shall:

1) as a party to the European System of Financial Supervision, cooperate with trust and full mutual respect, in particular when ensuring the flow of appropriate and reliable information between itself and other parties to the ESFS, in accordance with the principle of sincere cooperation set out in Article 4, paragraph (3) of the Treaty on the Functioning of the European Union;

2) participate in the activities of the European Banking Authority and, as appropriate, in the colleges of supervisors;

3) make every effort to comply with those guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331/12, 15. 12. 2019); 2010, hereinafter referred to as 'Regulation (EU) No 1093/2010'), and respond to the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331/1, 24. 11. 2010, hereinafter referred to as 'Regulation (EU) No 1092/2010'); and

4) cooperate closely with the European Systemic Risk Board.

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

### *Credit institution*

#### Article 5

(1) A credit institution having its head office in the Republic of Croatia may, under the conditions laid down in this Act, operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013.

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

(2) For the purposes of this Act, the term 'credit institution', where not further qualified by the words 'of a Member State' or 'of a third country', means a credit institution which has its head office in the Republic of Croatia and is authorised in accordance with this Act. Exceptionally, for the purposes of this Title, the term 'credit institution' shall be used for all credit institutions regardless of the country where they have their head office. For the purposes of Title XXII Supervision on a consolidated basis, the term 'subsidiary credit institution' shall be used for any credit institution having the status of a subsidiary credit institution regardless of the country where it has its head office.



## *Use of name in legal transactions*

### Article 6

(1) The words 'credit institution' and 'bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies or used in legal transactions only by:

- 1) a legal person authorised as a bank pursuant to this Act;
- 2) credit institutions providing services under Article 85 or Article 89 of this Act;
- 3) credit institutions referred to in Article 87 of this Act;
- 4) members of a group of credit institutions; and
- 5) representative offices of credit institutions of third countries which carry out activities within the territory of the Republic of Croatia.

(2) By way of derogation from paragraph (1) of this Article, the words 'credit institution' and 'bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies and used in legal transactions by other legal persons where provided for in another law.

(3) A legal person authorised as a bank under this Act may enter the words 'savings bank' or derivatives of these words, if contained in the firm name, in the register of companies and use them in legal transactions.

(4) Credit institutions from other Member States may use within the territory of the Republic of Croatia the same name as they use in the home Member State. Exceptionally, in the situation where there is already a credit institution operating within the territory of the Republic of Croatia under the same or similar name, the Croatian National Bank may, for the purposes of clarification, require that the name of a credit institution of another Member State be accompanied by certain explanatory particulars.

## *Banking services*

### Article 7

(1) Banking services are the taking of deposits or other repayable funds from the public and the granting of credits for own account.

(2) Unless otherwise provided for in this Act, 'deposit' means a cash deposit as defined in the Civil Obligations Act.

(3) For the purposes of this Act, the following shall not constitute the taking of deposits or other repayable funds from the public referred to in paragraph (1) of this Article:

- 1) receipts of funds that are immediately exchanged for electronic money by an electronic money institution;
- 2) receipts of funds by the Republic of Croatia or other Member States, by regional or local authorities of the Republic of Croatia or of other Member States, or by public international bodies of which one or more Member States are members;
- 3) taking of deposits from its members by a credit union;
- 4) receipt of funds as membership fees, voluntary contributions or similar non-repayable funds by associations;

- 5) receipts from the issuance of debt securities by a legal person, other than a credit institution, by which it finances its core activities, provided its core activity is not the granting of credits; or
- 6) receipts of funds by payment institutions from payment service users for the provision of payment services in accordance with a special law.

### *Core and additional financial services*

#### Article 8

(1) For the purposes of this Act, core financial services are as follows:

- 1) taking of deposits or other repayable funds;
- 2) lending, including consumer credit, mortgage credit and, where permitted by a special law, financing of commercial transactions, including export financing based on the purchase at a discount without recourse of non-current, non-matured receivables collateralised with a financial instrument (*forfeiting*);
- 3) repurchase of receivables with or without recourse (*factoring*);
- 4) financial leasing;
- 5) issuance of guarantees or other commitments;
- 6) trading for own account or for the accounts of clients in:
  - money market instruments;
  - transferable securities;
  - foreign exchange, including currency exchange transactions;
  - financial futures and options;
  - exchange and interest-rate instruments;
- 7) money transmission services in accordance with special laws;
- 8) credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;
- 9) issuing and administering other means of payment, if the provision of such services is not considered the provision of services within the meaning of item (7) of this paragraph and pursuant to a special law;
- 10) safe custody services;
- 11) money broking;
- 12) participation in issues of financial instruments as well as the provision of services relating to issues of financial instruments in accordance with the law governing the capital market;
- 13) portfolio management and advice;
- 14) safekeeping of financial instruments and services related to the safekeeping of financial instruments in accordance with the law governing the capital market;
- 15) advice to legal persons on capital structure, business strategy and related issues as well as the provision of services relating to mergers and the acquisition of shares and holdings in other companies;

- 16) issuance of electronic money, including e-money tokens;
  - 17) the issuance of asset-referenced tokens;
  - 18) crypto-asset services; and
  - 19) 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.
- (2) For the purposes of this Act, additional financial services are as follows:
- 1) activities related to distribution of insurance in accordance with the regulations governing insurance;
  - 2) payment systems management services in accordance with the provisions of a special law;
  - 3) other services which a credit institution may provide in accordance with the provisions of a special law;
  - 4) trading in gold;
  - 5) the services of data submission in accordance with the regulations governing the capital market; and
  - 6) other services or activities that are, in terms of the manner of the provision and risk to which a credit institution is exposed, similar to core financial services referred to in paragraph (1) of this Article and listed in the credit institution's authorisation.

### *Mutually recognised services*

#### Article 9

- (1) For the purposes of this Act, mutually recognised services are:
- 1) mutually recognised banking services, and
  - 2) mutually recognised financial services.
- (2) Mutually recognised banking services are the services referred to in Article 7 of this Act.
- (3) Mutually recognised financial services are the services referred to in Article 8, paragraph (1) of this Act.

### *Advertising*

#### Article 10

Credit institutions with head offices in other Member States may advertise their services in the Republic of Croatia, subject to any rules of the Republic of Croatia governing such advertising and adopted in the interests of the general good.

### *Croatian National Bank competence*

#### Article 11

- (1) The Croatian National Bank shall be competent for the supervision of the application of the provisions of this Act, except for tasks under the competence of the European Central Bank in accordance with Regulation (EU) No 1024/2013.

(2) The Croatian National Bank shall be the designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 and Article 144a of this Act in the part related to the adoption of measures associated with credit institutions.

(3) For the purposes of Article 124, paragraph (8) of Regulation (EU) No 575/2013, the Croatian National Bank shall be the designated authority for the application of paragraph (9) of that Article, and shall, for the purpose of Article 164, paragraph (5) of Regulation (EU) No 575/2013, be the designated authority for the application of paragraph (6) of that Article.

(4) For the purposes of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall be the competent authority for credit institutions, without prejudice to the tasks conferred to the European Central Bank in accordance with Regulation (EU) No 1024/2013.

### *Single Supervisory Mechanism*

#### Article 11a

(1) The Croatian National Bank and the European Central Bank shall carry out their tasks within the single supervisory mechanism in accordance with Article 6 of Regulation (EU) No 1024/2013.

(2) When the Croatian National Bank carries out its tasks within the single supervisory mechanism it shall cooperate with the European Central Bank.

(3) When the European Central Bank carries out its tasks referred to in Article 4, paragraph (1) under (a) and (c) of Regulation (EU) No 1024/2013, the Croatian National Bank shall participate in the procedure in accordance with the provisions of this Act and Regulation (EU) No 1024/2013.

(4) When the European Central Bank carries out its tasks referred to in Article 4, paragraphs (1) and (2) and Article 5 of Regulation (EU) No 1024/2013, it shall have the powers of the Croatian National Bank in accordance with the provisions of this Act and Regulation (EU) No 575/2013.

(5) When in carrying out its tasks referred to in Article 4, paragraphs (1) and (2) Regulation (EU) No 1024/2013, and the tasks referred to in Article 5, paragraph (2) of Regulation (EU) No 1024/2013, the European Central Bank exercises the powers referred to in Article 9, paragraph (1), sub-paragraph (3) of Regulation (EU) No 1024/2013, the Croatian National Bank shall follow the instructions given by the European Central Bank.

(6) When the European Central Bank carries out its tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall, in exercising its powers of the macroprudential authority in accordance with this Act and Regulation (EU) No 575/2013, adopt decisions in accordance with the procedure prescribed by that article.

(7) Where the Croatian National Bank acts as a designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 or adopts any other measures aimed at addressing systemic or other macroprudential risks in accordance with the procedures set out in Regulation (EU) No 575/2013 or this Act, in the cases specifically set out in relevant Union law in the part related to the adoption of measures to limit systemic risk, when the European Central Bank exercises its powers and tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall act in accordance with Article 5 of Regulation (EU) No 1024/2013.

## *Comprehensive assessment by the European Central Bank*

### Article 11b

(1) Aiming to establish close cooperation between the Croatian National Bank and the European Central Bank in accordance with Article 7 of Regulation (EU) No 1024/2013, and in order to ensure to the European Central Bank or the person empowered by the European Central Bank the performance of a comprehensive assessment referred to in Article 7, paragraph (2), item (b) of Regulation (EU) No 1024/2013, the persons referred to in Article 179, paragraph (2) of this Act shall provide to the European Central Bank or the person empowered by the European Central Bank all necessary information.

(2) For the purposes of a comprehensive assessment referred to in paragraph (1) of this Article, the European Central Bank or the person empowered by the European Central Bank, may:

1) request from the persons referred to in Article 179, paragraph (2) of this Act to submit documentation;

2) carry out a review of business books and documentation of the persons referred to in Article 179, paragraph (2) of this Act including to obtain copies;

3) request written and oral explanations from the persons referred to in Article 179, paragraph (2) of this Act and from their employees; and

4) for the purpose of collecting information, interview any person it considers as having relevant information, provided such person provides their explicit consent.

(3) The submission of the information referred to in paragraphs (1) and (2) of this Article shall not be considered as disclosure of business or banking secret.

(4) By way of derogation from Article 220, paragraphs (1) and (2) of this Act, the Croatian National Bank shall implement any measure prescribed in this Act that is required in relation to the results of the comprehensive assessment referred to in paragraph (1) of this Article.

## *Identifying a significant supervised entity*

### Article 11c

(1) The Croatian National Bank shall cooperate with the European Central Bank in assessing the significance of a supervised entity or a supervised group.

(2) The Croatian National Bank shall, at least annually, review whether the less significant supervised entity or a less significant supervised group meets the criteria laid down in Article 6, paragraph (4) of Regulation (EU) No 1024/2013. Where it assesses that a less significant supervised entity or a less significant supervised group meets the criteria laid down in Article 6, paragraph (4) of Regulation (EU) No 1024/2013, the Croatian National Bank shall without delay notify the European Central Bank thereof.

## *Direct provision of services*

### Article 12

(1) For the purposes of this Act, it shall be deemed that an institution of a Member State directly provides mutually recognised services within the territory of another Member State:



1) where it concludes legal arrangements within the territory of that Member State, the subject of which are one or more mutually recognised services; or

2) where it offers such service within the territory of that Member State to a natural or legal person who has its domicile, normal place of residence or head office within the territory of that Member State, through its representatives, intermediaries or by some other means.

(2) For the purposes of this Act, it shall be deemed that an institution directly provides services within the territory of the Republic of Croatia on a temporary basis where it does not provide mutually recognised services regularly, frequently or on an ongoing basis.

### *Member State and third country*

#### Article 13

(1) For the purposes of this Act, 'Member State' means a Member State of the European Union and a contracting party to the Agreement on the European Economic Area (OJ L 1, 3. 1. 1994).

(2) For the purposes of this Act, 'third country' means a foreign country that is not a Member State.

### *Representative office of a credit institution*

#### Article 14

For the purposes of this Act, 'representative office of a credit institution' means a legally dependent part of a credit institution which may only carry out activities related to market research, representation and advertising of the credit institution which established it and the providing of information on the credit institution which established it.

### *Undertakings linked by management on a unified basis*

#### Article 15

(1) 'Undertakings linked by management on a unified basis' means undertakings which are not linked in any of the ways referred to in Article 3, item (27) of this Act but are linked in one of the following ways:

1) the undertakings are on an equal footing and are linked by management on a unified basis pursuant to a contract or provisions of the Articles of Association;

2) the undertakings are controlled by the same third person; or

3) the majority of their management or supervisory boards consists of the same persons.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall issue a decision to determine how consolidation is to be carried out.

### *Persons acting in concert*

#### Article 16

(1) Persons acting in concert means natural or legal persons who cooperate with each other on the basis of an agreement, either express or tacit, either oral or written, aimed at acquiring shares with voting rights or coordinated exercising of voting rights or other rights arising from shares.

(2) The following shall be deemed to be acting in concert:

- 1) shareholders that have reached an agreement on matters of corporate governance by which corporate governance of a credit institution is regulated in a manner that differs from the prescribed manner or an agreement on the manner of exercising other rights arising from shares;
  - 2) natural persons if they are linked by consanguinity in the direct line without restraint and in the collateral line ending with brothers and sisters, or if they are a spouse or the person with whom one lives for a longer period of time in a joint household, who, in accordance with a special law has the status equivalent to that in a marriage;
  - 3) persons who are members of senior management, management board or supervisory board, or persons authorised to appoint members of senior management, management board or supervisory board in a credit institution of which a qualifying holding is being established;
  - 4) undertakings that are members of the same group;
  - 5) persons linked only by circumstances which indicate coordination in the acquisition of shares or joint intent of the persons to acquire shares, including the use of the same sources of financing;
  - 6) persons who coordinated exercising of voting rights in the credit institution of which a qualifying holding is being established;
  - 7) legal persons interconnected within the meaning of the provisions of the Companies Act;
  - 8) members of management or supervisory boards of undertakings acting in concert;
  - 9) members of management or supervisory boards and the undertakings in which they are members of these bodies;
  - 10) a management company and all investment funds managed by that company;
  - 11) legal persons and natural and/or legal persons when one of them directly or indirectly controls the other legal person or legal persons; or
  - 12) persons who are within the meaning of the provisions of the regulation governing the takeover of joint stock companies required to publish a bid to take over the credit institution.
- (3) For persons for whom it determines the existence of other circumstances similar to the circumstances referred to in paragraph (2) of this Article, the Croatian National Bank may adopt a decision determining their acting in concert.
- (4) The Croatian National Bank shall adopt subordinate legislation to further regulate the circumstances indicating acting in concert referred to in paragraphs (2) and (3) of this Article.

### *Group of credit institutions*

#### Article 17

- (1) For the purposes of this Act, 'group of credit institutions' means credit institutions, investment firms and financial institutions of which at least one has the status of:
- 1) a parent credit institution;
  - 2) a parent financial holding company having at least one subsidiary credit institution;
  - 3) a credit institution which is linked with another legal person within the group of credit institutions by management on a unified basis referred to in Article 15, paragraph (1), item (1) or (3) of this Act; or

4) a parent mixed financial holding company having at least one subsidiary credit institution.

(2) By way of derogation from paragraph (1) of this Article, a group of credit institutions shall be a group of credit institutions as determined, within its competence, by the competent authority of another Member State or of a third country.

## II STATUS PROVISIONS

### II.1 APPLICATION OF THE PROVISIONS OF THE COMPANIES ACT

#### *Application of the provisions of the Companies Act*

##### Article 18

The provisions of the Companies Act shall apply to credit institutions, unless otherwise prescribed in this Act.

### II.2 INITIAL CAPITAL AND SHARES OF A CREDIT INSTITUTION

#### *Initial capital of a credit institution*

##### Article 19

(1) The initial capital of a bank shall not be less than EUR 5 million.

(2) The initial capital of a savings bank shall not be less than EUR 1 million.

(3) The initial capital of a housing savings bank shall not be less than EUR 2.5 million.

(4) Initial capital shall comprise one or more of the items referred to in Article 26, paragraph (1), items (a) to (e) of Regulation (EU) No 575/2013.

#### *Shares of a credit institution*

##### Article 20

(1) A credit institution shall be a joint stock company.

(2) The shares of a credit institution must be registered.

(3) The shares of a credit institution shall be fully paid-up in cash before the institution is entered into the register of companies, and before any increase in the initial capital is entered into the register.

(4) By way of derogation from paragraph (3) of this Article, the shares of a credit institution need not be paid-up in cash if the initial capital has increased due to:

1) the implementation of changes in the status referred to in Article 63 of this Act to which the credit institution is a party; or

2) the conversion of a capital instrument or another cash liability of the credit institution to its initial capital in accordance with this Act or Regulation (EU) No 575/2013 or the law governing the resolution of credit institutions and investment firms.

(5) The shares of a credit institution shall be issued in non-material form.

(6) Holders of shares of a credit institution shall in exercising their rights attached to shares act in the interest of the credit institution.

(7) Where shares of a credit institution are held in a custody account, the custody account must be registered.

*Credits and guarantees for the acquisition of shares or holdings and other own funds instruments*

Article 21

(1) A credit institution may not directly or indirectly grant credits or issue guarantees or other commitments for the acquisition of its own shares or of shares and holdings in undertakings in whose capital it participates with a share of 20% or more, unless such acquisition of shares or holdings is to result in the termination of all types of capital links between the credit institution and the undertaking in question.

(2) All legal arrangements the economic substance of which is equivalent to credit shall be deemed to be the granting of credits referred to in paragraphs (1) and (3) of this Article.

(3) A credit institution may not directly or indirectly grant credits or issue guarantees or other commitments for the acquisition of other financial instruments issued by that credit institution or an undertaking in whose capital it participates with a share of 20% or more, which, due to their characteristics, are included in the calculation of the credit institution's own funds.

(4) By way of derogation from paragraph (1) of this Article, a credit institution may grant credits or issue credit guarantees to its employees and employees of undertakings in which it holds participation for the acquisition of shares of that credit institution. The total of such credits and guarantees shall not exceed 10% of the credit institution's initial capital.

*Preferential shares of a credit institution*

Article 22

The amount of preferential shares shall not exceed one quarter of the credit institution's total initial capital.

*Prohibition on the acquisition of shares*

Article 23

(1) Where a credit institution has a qualifying holding in a legal person, such legal person may not acquire a qualifying holding in that credit institution.

(2) Where a legal person has a qualifying holding in a credit institution, such credit institution may not acquire a qualifying holding in that legal person.

(3) The exemptions from the limits on holdings referred to in Article 148, paragraph (2) of this Act shall also apply to the limits referred to in paragraph (2) of this Article.

## II.3 SHAREHOLDERS OF A CREDIT INSTITUTION

*Approval to acquire a qualifying holding*

Article 24

(1) A holder of a qualifying holding may only be a legal or natural person and persons acting in concert who have obtained prior approval to acquire a qualifying holding, in the amount for which they obtained the prior approval.

(2) A legal or natural person and persons acting in concert shall submit to the Croatian National Bank an application for prior approval for the acquisition of shares of a credit institution on the basis of which they, individually or jointly, directly or indirectly, acquire a qualifying holding in the credit institution.

(3) A holder of a qualifying holding shall submit an application for prior approval for each further direct or indirect increase of a qualifying holding in the amount equalling or exceeding 20%, 30% or 50% of the capital or of the voting rights of a credit institution.

(4) By way of derogation from paragraphs (2) and (3) of this Article, for persons who are not the direct acquirers of a qualifying holding or the ultimate acquirers of a qualifying holding, the application for the prior approval to acquire a qualifying holding in a credit institution may be submitted by the ultimate acquirer of a qualifying holding.

(5) Persons who obtained the prior approval shall, within six months of the adoption of the decision on the prior approval, complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof.

(6) If a person who obtained the prior approval fails to complete the acquisition of a qualifying holding within the time limit referred to in paragraph (5) of this Article, the person may, not later than 30 days before the expiry of that time limit, submit a reasoned request to the Croatian National Bank for an extension of that time limit.

(7) Should persons who obtained the prior approval take a decision to sell or otherwise dispose of their shares so as to reduce their holdings below the threshold for which they obtained prior approval, they shall notify the Croatian National Bank in advance.

(8) Persons who have obtained the prior approval referred to in paragraph (1) of this Article, and who have thereafter sold or otherwise disposed of their shares 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 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 in the amount for which they obtained prior approval.

(9) Before drawing a draft decision whether to grant prior approval to acquire a qualifying holding, the Croatian National Bank shall consult the other competent supervisory authority if the acquirer is one of the following:

1) a credit institution, an insurance or reinsurance undertaking or a management company within the meaning of the law governing the operation of open-ended investment funds (hereinafter referred to as 'UCITS management company'), a pension company within the meaning of the law governing the operation of pension funds (hereinafter referred to as 'pension company'), an investment firm authorised in another Member State, or if the acquisition falls within the competence of another supervisory authority;

2) the parent undertaking of a credit institution, insurance or reinsurance undertaking, UCITS management company, a pension company or an investment firm authorised in another Member State, or if the acquirer falls within the competence of another supervisory authority; or



3) a natural or legal person controlling a credit institution, insurance or reinsurance undertaking, UCITS management company, a pension company or an investment firm authorised in another Member State, or if the acquirer falls within the competence of another supervisory authority.

(10) In the case referred to in paragraph (9) of this Article, the Croatian National Bank shall in an explanation of a decision on the prior approval indicate any views expressed by the other competent authorities.

(11) Legal persons holding qualifying holdings shall notify the Croatian National Bank of any changes in their status, including participation in mergers by acquisition, mergers by formation of a new undertaking, or divisions of an undertaking, within eight days of effecting such changes.

(12) A financial holding company or mixed financial holding company which, in accordance with the approval to acquire a qualifying holding, has the status of the parent undertaking of a credit institution shall notify the Croatian National Bank of any change in its management board within eight days of effecting the change.

(13) The provisions on the percentage of voting rights of the law governing the capital market shall be applied *mutatis mutandis* to determine the percentage of the qualifying holding.

(14) Voting rights or shares which credit institutions may hold as a result of providing the underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis shall not be taken into account when determining the percentage of a qualifying holding, provided that those rights are, on the one hand, not used to intervene in the management of the issuer and, on the other, disposed of within one year of acquisition.

(15) Shareholders of a credit institution who, after acquiring shares of the credit institution, become persons acting in concert, owing to which they as persons acting in concert jointly hold 10%, 20%, 30% or 50% 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 persons acting in concert. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

(16) Where an individual person or one of the persons acting in concert acquires or increases a qualifying holding by inheritance, or in another case when the person did not know, or should not have known or influence the fact that they would exceed the stated holding, the person shall submit an application for such acquisition within 30 days of the day on which the person became aware or should have become aware of such an acquisition. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

(17) Should the holding of a person or persons acting in concert increase due to the reduction in the initial capital of the credit institution or other similar action by the credit institution so as to reach or exceed 10%, 20%, 30%, or 50% in the capital or voting rights of the credit institution, the person shall submit an application for further acquisition of a holding in the capital or of the voting rights within 30 days of the day on which the person 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 30 of this Act.

(18) The provisions of this Title shall apply *mutatis mutandis* to the holders of qualifying holdings referred to in paragraphs (15), (16) and (17) of this Article.

(19) By way of derogation from the provisions of paragraph (2) and (15) of this Article, persons for whom circumstances referred to in Article 16, paragraph (2) of this Act have been

determined and who do not consider that acting in concert exists, shall submit to the Croatian National Bank an application to determine the non-existence of acting in concert.

(20) Where the Croatian National Bank determines the non-existence of acting in concert of persons referred in Article 16, paragraph (2) of this Act based on the application referred to in paragraph (19) of this Article, these persons shall not be obligated to submit the application referred to in paragraph (2) or (15) of this Article.

(21) If the Croatian National Bank refuses the application referred to in paragraph (19) of this Article, it shall determine the existence of acting in concert and:

1) the persons referred to in paragraph (2) of this Article who act in concert shall submit an application to acquire a qualifying holding prior to the acquisition of a qualifying holding;

2) the persons referred to in paragraph (15) of this Article who act in concert shall submit an application to acquire a qualifying holding within 30 days of receipt of the decision of the Croatian National Bank on the existence of acting in concert.

(22) Where the persons referred to in paragraph (15) of this Article fail to submit the application referred to in paragraph (19) of this Article within 30 days of the date when they became persons acting in concert, the Croatian National Bank shall act in accordance with Article 30 of this Act.

### *Application to acquire a qualifying holding*

#### Article 25

(1) An application for prior approval to acquire or increase a qualifying holding shall be accompanied by the documentation verifying compliance with the conditions laid down in the subordinate legislation adopted under Article 28, paragraph (5) of this Act.

(2) The Croatian National Bank shall be competent to obtain evidence that the acquirer has not been convicted of a misdemeanour, information on whether criminal offence or misdemeanour proceedings have been initiated against the acquirer, and evidence that the acquirer has not been convicted by a judgement with final force and effect of any of criminal offences committed in the Republic of Croatia or of criminal offences committed in a Member State from the criminal history records and misdemeanour records, based on a reasoned explanation for each request from the records, or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, in relation to the following criminal offences:

– criminal offences against life and limb (Title X), criminal offences against values protected under international law (Title XIII), criminal offences against sexual freedom and sexual morality (Title XIV), criminal offences against property (Title XVII), with the exception of violations of copyrights or of the rights of performing artists (Article 229), illicit use of an author's work or an artistic performance (Article 230), violations of the rights of producers of audio or video recordings and the rights related to radio broadcasting (Article 231), and violations of patent rights (Article 232), criminal offences against the payment system and the security of its operations (Title XXI), criminal offences against the authenticity of documents (Title XXIII), criminal offences against official duty (Title XXV), with the exception of failures to execute orders (Article 340) and violations of a duty to guard the state border (Article 341), under the Criminal Code (Official Gazette 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08 and 57/11);

– a criminal offence of unauthorised use and disclosure of privileged information, a criminal offence of price manipulation and spreading of false information, a criminal offence of presentation of false data in the prospectus and its unauthorised distribution, a criminal offence of unauthorised listing of securities, a criminal offence of concealment of ownership and of illicit trade in securities under the Securities Markets Act (Official Gazette 84/2002 and 138/2006);

– a criminal offence of use, disclosure and divulging of privileged information, a criminal offence of market manipulation, a criminal offence of unauthorised provision of investment services and a criminal offence of unauthorised performance of activities of tied agents under the Act on Criminal Offences Against the Capital Market (Official Gazette 152/2008);

– crimes against humanity and human dignity (Title IX), criminal offences against life and limb (Title X), a criminal offence of violation of equality (Article 125), criminal offences against labour relations and social insurance (Title XII), criminal offence of unlawful deprivation of liberty (Article 136), criminal offence of kidnapping (Article 137), criminal offence of misuse of sexually explicit images or videos (Article 144a), criminal offences against sexual freedom (Title XVI), criminal offences of sexual abuse and sexual exploitation of children (Title XVII), a criminal offence of unauthorised manufacture of drugs and drugs trafficking (Article 190), and a criminal offence of enabling the use of drugs (Article 191), a criminal offence of destruction of or damage to public-use devices (Article 216), a criminal offence of destruction, damage or misuse of warning signs (Article 218), a criminal offence of misuse of radioactive substances (Article 219), a criminal offence of handling of generally dangerous substances (Article 220), a criminal offence of attack on an aircraft, vessel or immovable platform (Article 223), a criminal offence of endangering traffic by a dangerous act or dangerous means (Article 224), criminal offences against property (Title XXIII), criminal offences against the economy (Title XXIV), a criminal offence of computer-related forgery (Article 270), a criminal offence of computer-related fraud (Article 271), criminal offences of forgery (Title XXVI) and criminal offences against official duty (Title XXVIII), a criminal offence of assisting the perpetrator following the commission of a criminal offence (Article 303), a criminal offence of unlawful entry into, movement or residence in the Republic of Croatia, another Member State or signatory to the Schengen Agreement (Article 326), a criminal offence of criminal association (Article 328), a criminal offence of committing criminal offence as a member of a criminal association (Article 329) a criminal offence of unlawful possession, making and procurement of weapons and explosive devices (Article 331), a criminal offence of producing, procuring, possessing or dealing in instruments for misuse of cashless means of payment (Article 331a), criminal offences against a foreign state or an international organisation (Title XXXIII) under the Criminal Code (Official Gazette 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21 and 114/22);

– criminal offences under the law governing the operation of undertakings;

– criminal offences under the law governing the operation of investment funds; or

– criminal offences under the Accounting Act (Official Gazette 109/2007, 54/2013 and 121/2014).

(3) When deciding whether to grant prior approval, the Croatian National Bank shall consult the European Banking Authority database of administrative penalties.

(4) The Croatian National Bank may in the course of processing the application request from the acquirer and the credit institution to provide, within the time limit referred to in Article 27, paragraph (1) of this Act, additional documentation that it deems necessary to decide whether to grant prior approval, including information prescribed in the law governing the prevention

of money laundering and terrorist financing, which is being collected by the persons subject to that law.

(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) The Croatian National Bank shall be competent to obtain data on judgements with final force and effect regarding the associate of the acquirer of a qualifying holding intending to directly or indirectly acquire or increase a qualifying holding in a credit institution for criminal offences committed in the Republic of Croatia from the ministry responsible for the judiciary or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation.

### *Decision-making procedure regarding prior approval to acquire a qualifying holding*

#### Article 26

(1) The Croatian National Bank shall acknowledge to the applicant in writing the receipt of the application for prior approval to acquire or increase a qualifying holding (hereinafter referred to as 'application') within two working days. The Croatian National Bank shall verify the completeness of the application when acknowledging the receipt. When acknowledging the receipt of a complete application, the Croatian National Bank shall notify the applicant of the date of expiry of the decision-making period.

(2) If the application is not complete, the Croatian National Bank shall invite the applicant within a reasonable time frame to supplement the application within the time limit set by it. The Croatian National Bank shall act in accordance with paragraph (1) of this Article within two working days of receipt of the supplemented application.

(3) A complete application referred to in paragraph (1) of this Article shall be considered to be an application accompanied by the documentation prescribed in subordinate legislation adopted under Article 28, paragraph (6) of this Act.

(4) The decision-making procedure regarding prior approval to acquire a qualifying holding (hereinafter referred to as 'decision-making procedure') shall be completed within 60 working days of the submission of a complete application referred to in paragraph (1) of this Article.

(5) Where new facts and circumstances arise during the decision-making procedure on the part of the applicant that affect the proceedings, the Croatian National Bank shall annul the certificate establishing that the application was complete and shall, pursuant to paragraph (2) of this Article, invite the applicant to supplement the application within a reasonable time frame.

(6) The decision on the application shall be delivered to the applicant within two working days and within the time limit referred to in paragraph (4) of this Article. At the request of the applicant for prior approval to acquire or increase a qualifying holding whose application to acquire or increase a qualifying holding has been refused, the Croatian National Bank shall issue a communication thereon and state the reasons for the refusal.

(7) If the Croatian National Bank receives two or more applications to acquire a qualifying holding in the same credit institution, it shall provide non-discriminatory treatment to all proposed acquirers.

(8) If no decision on an application for prior approval is reached within the time limit referred to in paragraph (4) of this Article, prior approval to acquire a qualifying holding shall be deemed to have been granted.

(9) The time limit referred to in paragraph (4) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure pursuant to Article 323a of this Act.

*Additional requests in the course of the decision-making procedure regarding prior approval to acquire a qualifying holding*

Article 27

(1) In the course of a decision-making procedure, but within 50 working days of submission of an application to acquire a qualifying holding, the Croatian National Bank may request in writing additional documentation referred to in Article 25, paragraph (4) of this Act.

(2) An applicant for approval to acquire a qualifying holding shall deliver the requested documentation within the time limit specified by the Croatian National Bank, which may not be longer than 20 working days. The time limit referred to in Article 26, paragraph (5) of this Act shall not run during this period. The Croatian National Bank may subsequently request for completion or clarification of the submitted information but such request may not extend the period referred to in Article 26, paragraph (5) of this Act. The Croatian National Bank shall acknowledge in writing the receipt of the requested documentation.

(3) By way of derogation from paragraph (2) of this Article, the Croatian National Bank may extend the time limit referred to in paragraph (2) of this Article up to 30 working days if the acquirer of a qualifying holding:

- 1) has its domicile or head office in a third country or is regulated in a third country; or
- 2) is a natural or legal person not subject to supervision and oversight pursuant to the provisions of this Act, the law governing the capital market, the law governing insurance of property and persons and the law governing open-ended investment funds with a public offering or the regulations of a Member State where the acquirer has its domicile or head office transposing Directives 2013/36/EU, 2009/65/EC, 2009/138/EC or 2004/39/EC.

(4) The Croatian National Bank shall notify the European Central Bank if the decision-making period has temporarily been suspended, in accordance with this Article. The Croatian National Bank shall forward any received additional information to the European Central Bank at the latest within five working days following the receipt thereof from the applicant.

*Deciding on prior approval to acquire a qualifying holding*

Article 28

(1) When deciding whether to grant prior approval to acquire a qualifying holding, the suitability and the financial soundness of the acquirer of a qualifying holding shall be appraised against the following criteria:

- 1) the reputation of the acquirer, taking into account the reputation of all of its shareholders, as well as indirect holders of qualifying holdings and their influence on the acquirer;
- 2) the reputation, adequacy of knowledge, skills and experience of the persons the acquirer intends to appoint to perform the function of a member of the management board in accordance with Article 35, paragraph (2) and Article 38 of this Act or of a member of the supervisory board in accordance with Article 35, paragraph (3) and Article 45 of this Act;



3) the financial soundness of the acquirer, taking into account the financial soundness of all of its shareholders, as well as of indirect holders of qualifying holdings and their financial influence on the acquirer, in particular in relation to the type of business pursued by the credit institution in which the qualifying holding is acquired;

4) whether the credit institution will be able to comply and continue to comply with the provisions of this Act and Regulation (EU) No 575/2013 and, where applicable, other regulations of the European Union, in particular regulations governing the operation of financial conglomerates and regulations governing the operation of electronic money institutions, including whether the group of which it will become a part has a structure that makes it possible to exercise effective supervision, effectively exchange information among the competent authorities and determine the allocation of responsibilities among the competent authorities; and

5) whether there are reasonable grounds to suspect that, in connection with the acquisition, money laundering or terrorist financing, within the meaning of regulations on the prevention of money laundering and terrorist financing, is being or has been committed or attempted, or that the acquisition could increase the risk thereof.

(2) No prior conditions relating to the size of the holding the acquirer proposes to acquire shall be imposed and the application for prior approval to acquire a qualifying holding shall not be examined in terms of the economic needs of the market.

(3) By way of derogation from paragraph (1) of this Article, if an indirect holder of a qualifying holding submits an application for direct acquisition of a qualifying holding, when assessing the suitability and the financial soundness of the acquirer, as circumstances may require, the assessment may be carried out only regarding the changes in relation to the previous assessments carried out when the indirect holding was acquired.

(4) By way of derogation from paragraph (1) of this Article, if in connection to persons acting in concert previous assessment of the suitability and financial soundness of the acquirer was carried for some of these persons, for these persons, as circumstances may require, the assessment may be carried out only regarding the changes in relation to the previous assessments carried out when the indirect holding was acquired.

(5) The Croatian National Bank shall decide on the application for the prior approval to acquire a qualifying holding in a credit institution under resolution and the provisions of this Title shall apply *mutatis mutandis*.

(6) The Croatian National Bank shall adopt subordinate legislation to further regulate:

- the criteria against which it assesses the suitability and the financial soundness of the acquirer of a qualifying holding;
- the circumstances against which it assesses the existence of significant influence;
- the manner of determining the size of the holding by an indirect acquirer;
- the manner of submitting applications to acquire a qualifying holding; and
- the documentation to be enclosed with the application to acquire a qualifying holding.

### *Reasons for refusal of an application to acquire a qualifying holding*

#### Article 29



The application for prior approval to acquire a qualifying holding shall be refused where it is assessed that the suitability or the financial soundness of the acquirer of a qualifying holding does not comply with the criteria referred to in Article 28 of this Act.

### *Legal consequences of acquisition without approval*

#### Article 30

(1) Where a person directly acquires a qualifying holding in a credit institution without approval, the Croatian National Bank shall issue a decision ordering the person to sell the shares acquired without the required approval, and submit evidence on the sale and, if known, data on the buyer.

(2) Where persons acting in concert directly acquire a qualifying holding in a credit institution without approval, regardless of the percentage of the holding in the credit institution held by each person and regardless of whether that individual holding is a qualifying holding, the Croatian National Bank shall issue a decision ordering the persons to sell the shares acquired without the prior approval so that their joint holding does not exceed the qualifying holding for which approval was granted. These persons shall submit evidence of the sale and, if known, data on the buyer to the Croatian National Bank.

(3) In the process of issuing a decision referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall request a statement from each acquirer. Persons acting in concert may propose individual amounts of shares to be sold that need not be proportionate to the total number of their shares.

(4) In the decision referred to in paragraph (2) of this Article, the Croatian National Bank shall order each individual acquirer to sell shares in the amount proportionate to the total number of shares they jointly hold. Exceptionally, if acquirers submit a proposal referred to in paragraph (3) of this Article, the Croatian National Bank may order each individual acquirer to sell shares in the amount which need not be proportionate to the total number of their shares.

(5) The Croatian National Bank shall, by means of the decision referred to in paragraphs (1) and (2) of this Article, set the time limit for the sale which may neither be shorter than three nor longer than nine months.

(6) The decision referred to in paragraphs (1) and (2) of this Article shall be delivered to the persons referred to in paragraphs (1) and (2) of this Article, the credit institution, the Central Depository and Clearing Company and the register of companies for the purpose of entering a note on the suspension of the voting rights arising from the shares ordered to be sold.

(7) As of the date of enforceability of the decision referred to in paragraphs (1) and (2) of this Article, the acquirer may not exercise the voting rights arising from any share ordered to be sold.

(8) A credit institution shall:

1) ensure that the acquirer referred to in paragraphs (1) and (2) of this Article does not exercise the voting rights arising from any share ordered to be sold; and

2) from the date of receipt of the decision referred to in paragraphs (1) and (2) of this Article to the expiry of the time limits set for the sale of shares, notify the Croatian National Bank on a monthly basis of any changes of shareholders.

(9) In the dispositive part of the decisions referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall state:

- 1) that the dispositive part of the decisions shall be publicly disclosed; and
  - 2) that the acquirer may not exercise the voting rights arising from any share ordered to be sold.
- (10) If a legal or natural person or persons acting in concert indirectly acquire a qualifying holding in a credit institution without approval, the Croatian National Bank shall issue a decision ordering that the thus acquired indirect qualifying holding in a credit institution without the required approval be reduced by the holding for which no approval was granted within the time limit referred to in paragraph (5) of this Article.

#### Article 31

*Deleted.*

#### *Revocation of approval to acquire a qualifying holding*

#### Article 32

- (1) The legal approval to acquire a qualifying holding may be revoked where:
- 1) a holder of a qualifying holding breaches the obligations referred to in Title XXII of this Act or fails to act in accordance with a decision of the Croatian National Bank or the competent authority of another Member State responsible for supervision on a consolidated basis, ordering him to eliminate deficiencies;
  - 2) a holder of a qualifying holding obtained approval by providing false or inaccurate data;
  - 3) the conditions referred to in Article 28 of this Act on the suitability and the financial soundness of the acquirer of a qualifying holding are no longer met; or
  - 4) the influence exercised by a holder of a qualifying holding operates to the detriment of the prudent and sound management of the credit institution or the holder does not act with the due diligence of a prudent businessperson.
- (2) The provisions of Article 30 of this Act shall apply to a holder of a qualifying holding whose approval to acquire a qualifying holding has been revoked in accordance with paragraph (1) of this Article.

#### *Suspension of the voting rights of holders of qualifying holdings*

#### Article 33

- (1) The holder of a qualifying holding may temporarily have the voting rights at the general assembly suspended where the influence exercised by that holder is likely to operate to the detriment of the prudent and sound management of the credit institution or where it is likely that the holder would not act with the due diligence of a prudent businessperson.
- (2) The suspension referred to in paragraph (1) of this Article may not exceed 12 months.
- (3) The decision referred to in paragraph (1) of this Article shall be delivered to the holder of a qualifying holding and the credit institution.
- (4) As of the date of enforceability of the decision referred to in paragraph (1) of this Article, the holder of a qualifying holding may not exercise any voting rights arising from any share, and the quorum for taking valid decisions and the necessary majority for taking decisions of the

general assembly shall be determined in relation to the initial capital reduced by the amount of shares on the basis of which the acquirer cannot exercise any voting rights.

(5) A credit institution shall ensure that the holder referred to in paragraph (1) of this Article does not exercise any rights arising from any share for which voting rights have been suspended.

### *Revocation of approval to acquire a qualifying holding*

#### Article 34

(1) If an acquirer of a qualifying holding does not acquire shares of a credit institution so as to reach or exceed a 10% holding of the capital or of the voting rights of the credit institution within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, the approval shall be revoked as a whole.

(2) If a holder of a qualifying holding receives approval to acquire a holding of the capital or of the voting rights of the credit institution in the percentage referred to in Article 24, paragraph (3) of this Act, and does not acquire the approved amount but does acquire at least 10% of the capital or of the voting rights of the credit institution within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, the approval to acquire the larger amount shall be revoked.

(3) If, within the time limit referred to in Article 24, paragraph (8) of this Act, a holder of a qualifying holding has reduced the holding to below the amount for which prior approval was granted, the approval shall remain in force in the share exceeding the percentage referred to in Article 24, paragraph (3) of this Act which the holder of a qualifying holding holds at the time of expiry of the said time limit.

(4) If, within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, a holder of a qualifying holding has reduced the holding to below the amount for which prior approval was granted, the approval shall remain in force in the share exceeding the percentage referred to in Article 24, paragraph and (3) of this Act which the holder of a qualifying holding holds.

## II.4 MANAGEMENT BOARD AND SUPERVISORY BOARD

### *Management board and supervisory board*

#### Article 35

(1) A credit institution shall have a management board and a supervisory board.

(2) The members of the management board shall possess adequate collective knowledge, skills and experience required to direct the business of the credit institution independently without undue influence from other persons, and in particular to understand the credit institution's activities and the main risks.

(3) The members of the supervisory board shall possess adequate collective knowledge, skills and experience required to supervise the business of the credit institution independently without undue influence from other persons, and in particular to understand the credit institution's activities and the main risks.

(4) The overall composition of the management board and the supervisory board shall reflect an adequately broad range of experiences.

(5) A credit institution shall notify the Croatian National Bank without delay, and at the latest within three working days, of the termination of the term of office of a member of the management or supervisory board and state the reasons for the termination.

## *Management board*

### Article 36

- (1) The management board of a credit institution shall have at least two members who direct the business of the credit institution and represent it. One of the members of the management board shall be appointed chairperson of the management board.
- (2) The management board shall direct the business of a credit institution from the territory of the Republic of Croatia.
- (3) Unless provided otherwise in the Articles of Association, members of the management board of a credit institution shall jointly direct the business of the credit institution and jointly represent it.
- (4) The management board of a credit institution may authorise one or more procurators to represent the credit institution, conclude contracts and perform legal acts in the name and for the account of the credit institution, which arise from the services for which the credit institution obtained authorisation but they may only do so jointly with at least one member of the credit institution's management board.
- (5) When entering the name of a procurator in the register of companies, the credit institution's management board shall also enter the limitations on the powers of the procurator.
- (6) The conditions that procurators must fulfil, the manner in which procurators are named, the powers of procurators, and any limitations on actions that procurators may take, shall be defined in the Articles of Association of a credit institution.
- (7) At least one member of the management board of a credit institution must be fluent in speaking and writing Croatian to be able to perform this function.

## *Employment status of management board members*

### Article 37

- (1) The members of a credit institution's management board shall direct the business of the credit institution full time and be employed with the credit institution.
- (2) Contracts pursuant to which management board members are employed with a credit institution shall contain provisions specifying that such contracts shall be terminated upon the appointment of a special administration of a credit institution, the appointment of a liquidator or the appointment of resolution administration.
- (3) A credit institution shall not pay severance pay and variable remuneration to a member of the management board whose employment is terminated pursuant to contractual provisions referred to in paragraph (2) of this Article or pursuant to Article 240 of this Act and any contractual provisions on such entitlement shall be null and void.
- (4) By way of derogation from paragraph (1) of this Article, members of the resolution administration need not be employed with the credit institution under resolution.

## *Criteria for membership in the management board of a credit institution*

### Article 38

(1) Persons who at all times meet the following criteria may be members of the credit institution's management board:

- 1) they are of good repute, have honesty and integrity;
- 2) they possess adequate knowledge, skills and experience to direct the business of a credit institution, and together with other members of the management board meet the requirements referred to in Article 35, paragraph (2) of this Act;
- 3) they are able to have independence of mind, i.e. they do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;
- 4) they meet the criteria for management board members under the provisions of the act governing the operation of undertakings; and
- 5) they are able to commit sufficient time to perform their functions.

(2) A credit institution shall ensure that management board members at all times meet the criteria for management board members referred to in paragraph (1) of this Article.

(3) A credit institution's management board shall adopt an appropriate policy for selecting and assessing compliance with the criteria for management board members, both individually and collectively, subject to the prior approval of the supervisory board. The credit institution shall implement such policy.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate:

- the criteria for membership in the management board of a credit institution referred to in paragraph (1) of this Article and Article 35, paragraph (2) of this Act;
- the procedure for granting prior approvals;
- the documentation to be enclosed with the application for prior approval for the chairperson or member of the management board; and
- the content of the policy referred to in paragraph (3) of this Article and the frequency of assessing compliance with the criteria for management board members.

(5) A person who has been convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 25, paragraph (2) of this Act or is an associate of the person convicted of criminal offences referred to in Article 25, paragraph (2) of this Act shall not be deemed to be of good repute.

(6) The Croatian National Bank shall be competent to obtain data on judgements with final force and effect regarding the associate of the applicant for approval to perform the function of the credit institution's management board member for whom the application for prior approval pursuant to Article 39, paragraph (2) of this Act has been submitted for criminal offences committed in the Republic of Croatia from the ministry responsible for the judiciary or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation.

### *Prior approval for management board members*

#### Article 39

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of a management board member may be appointed to the credit institution's management board.

- (2) An application for the prior approval referred to in paragraph (1) of this Article shall be submitted by the credit institution's supervisory board for a term of office not exceeding five years.
- (3) Exceptionally, if the competent court appoints a member of the credit institution's management board pursuant to the provisions of the Companies Act, the appointee must meet the criteria referred to in Article 38 of this Act and may not be appointed for a period exceeding six months.
- (4) The application referred to in paragraph (2) of this Article shall include evidence that the criteria referred to in Article 38 of this Act have been met, along with the management board's work programme containing projected financial statements for the term of office for which the management board member is to be appointed.
- (5) The Croatian National Bank shall obtain data on judgements with final force and effect of criminal offences and misdemeanours committed in the Republic of Croatia for persons for whom the application for prior approval referred to in paragraph (1) of this Article has been submitted from the criminal history records and misdemeanour records on reasoned request or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act.
- (6) When deciding whether to grant prior approval, the Croatian National Bank shall consult the European Banking Authority database of administrative penalties.
- (7) The Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the whole proposed term of office. Exceptionally, if it deems it justified, the Croatian National Bank may grant prior approval for a period shorter than the proposed term of office.
- (8) When deciding whether to grant prior approval, the Croatian National Bank may require candidates for management board members to make a presentation detailing how they propose to direct the business of the credit institution and detailing how they propose to manage those activities falling within their personal competence and may conduct an interview with the candidates.
- (9) The Croatian National Bank shall refuse an application for prior approval to perform the function of a member of the credit institution's management board if it assesses that the candidate for a management board member does not meet the criteria referred to in Article 38 of this Act.
- (10) A person who has been granted prior approval to perform the function of a credit institution's management board member shall, before being appointed to the same office with another credit institution, obtain a new prior approval of the Croatian National Bank. The provisions of paragraphs (2) and (4) to (10) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.
- (11) Where the supervisory board wishes to reappoint a person who has already obtained approval, he/she shall once again follow the procedures prescribed in this Act.
- (12) The supervisory board of a credit institution shall submit an application for the prior approval referred to in paragraph (2) or (11) of this Article at least four months prior to the expiry of the term of office of an individual management board member.
- (13) In cases where seats on the management board are vacated or where members of the management board are incapable of performing their functions, the supervisory board of the



credit institution may appoint its members as deputy management board members on a one-time basis for a period not longer than three months without the prior approval of the Croatian National Bank.

### *Prior approval for the chairperson of the management board*

#### Article 40

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of the chairperson of the management board of a credit institution may be appointed chairperson of the management board.

(2) The provisions of Articles 38 and 39 of this Act shall apply *mutatis mutandis* to prior approval to perform the function of the chairperson of the management board.

(3) When deciding whether to grant prior approval, the Croatian National Bank may require a candidate for the chairperson of the management board to make a presentation detailing how he/she proposes to direct the business of the credit institution as a whole.

### *Duties and responsibilities of management board members*

#### Article 41

(1) The credit institution's management board shall ensure that the credit institution operates in compliance with:

1) professional rules and standards;

2) this Act, regulations adopted under this Act and, where applicable, regulations of the European Union governing the operation of credit institutions and legal acts of the European Central Bank adopted pursuant to Regulation (EU) No 1024/2013; and

3) other regulations governing the operation of credit institutions.

(2) The management board shall ensure the implementation of supervisory measures imposed by the Croatian National Bank.

(3) The credit institution's management board shall establish and implement effective and sound governance arrangements in accordance with Article 101 of this Act that ensure effective and prudent management of the credit institution.

(4) For the purpose of establishing and implementing effective and sound governance arrangements, the credit institution's management board shall:

1) adopt the business policy of the credit institution;

2) approve and regularly review the credit institution's strategic objectives and the strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and the status of its business cycle;

3) ensure the integrity of the accounting and financial reporting systems, including financial and operational controls;

4) regularly review the process of disclosure and communications;

5) provide effective oversight of senior management; and

6) establish well-defined, transparent and consistent lines of responsibility, which will ensure clear segregation of duties and responsibilities, and prevent conflicts of interest.

(5) The credit institution's management board shall periodically, and on an annual basis at a minimum, assess the effectiveness of the credit institution's governance arrangements, including the adequacy of procedures and efficiency of control functions, document its conclusions and notify the supervisory board thereof, and take appropriate steps to address any identified deficiencies.

(6) Members of the credit institution's management board shall be jointly liable to the credit institution for damage arising as a consequence of errors of commission or omission in the performance of their duties, unless they demonstrate that in managing the credit institution they acted with the due diligence of a prudent businessperson.

### *Notification to the supervisory board*

#### Article 42

(1) The credit institution's management board shall notify the credit institution's supervisory board in writing and without delay if:

- 1) the liquidity or solvency of the credit institution is jeopardised;
- 2) reasons for lapsing or revocation of authorisation or for revocation of authorisation to provide individual financial services arise;
- 3) the credit institution's financial position changes to the extent that any of its capital ratios fall below the level laid down in Article 92, paragraph (1) of Regulation (EU) No 575/2013 or Article 228 of this Act;
- 4) the credit institution exceeds the limit on exposures to a single person or a group of connected clients due to the reduction of its own funds or increases its exposures in accordance with Articles 396 and 397 of Regulation (EU) No 575/2013 as a result of circumstances beyond its control; or
- 5) the Croatian National Bank or other supervisory authorities take measures against the credit institution within the scope of supervision or oversight.

(2) Members of the credit institution's management board shall notify the credit institution's supervisory board in writing and without delay of:

- 1) their appointment to or removal from the supervisory body of another legal person; and
- 2) legal arrangements on the basis of which management board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which management board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold.

#### Article 43

*Deleted.*

### *Revocation of approval for the chairperson or a member of the management board*

#### Article 44

(1) The Croatian National Bank shall revoke approval to perform the function of the chairperson or a member of the credit institution's management board:

1) where the chairperson or a member of the management board breaches the provisions of the Companies Act on the duties of the management board, resulting in the removal of the management board member;

2) where the chairperson or a member of the management board no longer meets the criteria for membership in the management board of a credit institution referred to in Article 38, paragraph (1) of this Act;

3) where the designated person is not appointed to office or does not assume the office to which the approval relates within six months of the approval;

4) where the term of office to which the approval relates expires, on the date of expiry of the term of office; or

5) where the contract of employment with the credit institution of the person in office expires, on the date of expiry of the contract;

6) where, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision.

(2) The Croatian National Bank may revoke approval to perform the function of the chairperson or a member of the credit institution's management board:

1) where the chairperson or a member of the management board fails to ensure the implementation or fails to implement supervisory measures imposed by the Croatian National Bank or the European Central Bank;

2) where the chairperson or a member of the management board materially breaches the duties of a management board member referred to in Article 41 of this Act;

3) where the chairperson or a member of the management board breaches the duties of a management board member referred to in Article 42 of this Act;

4) where the credit institution that obtained the permission for an internal model does not comply with terms of the permission; or

5) where the conditions for early intervention have arisen in accordance with Article 235a of this Act.

(3) It shall be deemed that the chairperson or a member of the management board materially breaches the obligations referred to in Article 41 of this Act when this breach would jeopardise the credit institution's liquidity or solvency.

(4) In carrying out the procedure referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall take measures of an appropriate scope and nature to verify whether there are facts and circumstances referred to in paragraphs (1) and (3) of this Article in relation to the chairperson or a member of the management board.

(5) If the Croatian National Bank revokes approval to perform the function of the chairperson or a member of a credit institution's management board, the supervisory board of the credit institution shall without delay adopt a decision to remove from office the chairperson or a member of the management board.

(6) When the procedure for revocation of approval to perform the function of the chairperson or a member of the credit institution's management board has been initiated due to breaches of risk management rules and regulations because of which a procedure for revocation of the credit

institution's authorisation has also been initiated, the Croatian National Bank may join these two procedures.

### *Supervisory board members*

#### Article 45

(1) Persons who at all times meet the following criteria may be members of the credit institution's supervisory board:

- 1) they are of good repute, have honesty and integrity;
- 2) they possess adequate knowledge, skills and experience to meet the obligations falling within their competence, which together with other members of the supervisory board meet the requirements referred to in Article 35, paragraph (3) of this Act;
- 3) they are able to have independence of mind, i.e. they do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;
- 4) they are able to commit sufficient time to perform their functions; and
- 5) they meet the criteria for supervisory board members under the provisions of the Companies Act.

(2) A credit institution shall ensure that supervisory board members at all times meet the criteria for supervisory board members referred to in paragraph (1) of this Article.

(3) The supervisory board of a credit institution which is not a small and non-complex credit institution and the supervisory board of a credit institution whose securities have been listed in the regulated market as defined in the law governing the capital market shall have a sufficient number of independent members.

(4) The supervisory board of a credit institution not covered by paragraph (3) of this Article shall have at least one independent member. Exceptionally, this obligation shall not apply to a credit institution which is a subsidiary of an EU parent credit institution having its head office in the RC or an RC parent credit institution.

(5) Employees of a credit institution may not be appointed to the supervisory board of the credit institution.

(6) On proposal of a credit institution's management board, the credit institution's general assembly shall adopt an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members individually and collectively. The credit institution shall implement such policy.

(7) A person who has been convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 25, paragraph (2) of this Act shall not be deemed to be of good repute.

(8) The Croatian National Bank shall adopt subordinate legislation to further regulate:

- the criteria for membership in the supervisory board of a credit institution referred to in paragraph (1) of this Article and Article 35, paragraph (3) of this Act;
- the conditions for determining the independence of supervisory board members and of a sufficient number of independent members;
- the procedure for granting prior approvals and the documentation to be enclosed with the application for prior approval for supervisory board members; and

– the content of the policy referred to in paragraph (6) of this Article and the frequency of assessing compliance with the criteria for supervisory board members.

### *Prior approval for supervisory board members*

#### Article 46

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of a supervisory board member may be selected or appointed to the credit institution's supervisory board.

(2) An application for the prior approval referred to in paragraph (1) of this Article shall be submitted by the credit institution or its founders for a term of office not exceeding four years.

(3) Exceptionally, if the competent court appoints a member of the credit institution's supervisory board pursuant to the provisions of the Companies Act, the appointee must meet the criteria referred to in Article 45 of this Act and may not be appointed for a period exceeding six months.

(4) The application referred to in paragraph (2) of this Article shall include evidence that the criteria referred to in Article 45 of this Act have been met, along with the decision of the credit institution's general assembly on the selection of a supervisory board's member; or, if the Articles of Association provide that a particular shareholder appoints a particular number of supervisory board members, the decision of that shareholder on the appointment of a supervisory board's member.

(5) The Croatian National Bank shall obtain data on judgements with final force and effect of criminal offences and misdemeanours for persons for whom the application for prior approval referred to in paragraph (2) of this Article has been submitted from the criminal history records and misdemeanour records on a reasoned request or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act.

(6) When deciding whether to grant prior approval, the Croatian National Bank shall consult the European Banking Authority database of administrative penalties.

(7) The Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the whole proposed term of office. Exceptionally, the Croatian National Bank may grant prior approval for a period shorter than the proposed term of office.

(8) When deciding whether to grant prior approval, the Croatian National Bank may conduct an interview with candidates for supervisory board members.

(9) The Croatian National Bank shall refuse an application for prior approval to perform the function of a member of the credit institution's supervisory board if it assesses that the candidate for a supervisory board member does not meet the criteria referred to in Article 45 of this Act.

(10) A person who has been granted prior approval to perform the function of a credit institution's supervisory board member shall, before being appointed to the same office with another credit institution, obtain a new prior approval of the Croatian National Bank. The provisions of paragraphs (2) and (4) to (10) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.

(11) Where the general assembly or a shareholder who under the Articles of Association has the right to appoint one or more supervisory board members wishes to reappoint a person who

has already obtained approval, he/she shall once again follow the procedures prescribed in this Act.

(12) A credit institution shall submit an application for the prior approval referred to in paragraph (2) of this Article or paragraph (11) of this Article at least four months prior to the expiry of the term of office of an individual supervisory board member.

### *Revocation of approval for supervisory board members*

#### Article 47

(1) The Croatian National Bank shall revoke approval to perform the function of a member of the credit institution's supervisory board:

- 1) where a member of the supervisory board no longer meets the criteria for membership in the supervisory board of a credit institution referred to in Article 45 of this Act;
- 2) where a member of the supervisory board breaches the provisions on duties and responsibilities of supervisory board members referred to in Articles 48 and 49 of this Act;
- 3) where the designated person does not assume the office to which the approval relates within six months of the approval;
- 4) where the term of office to which the approval relates expires, on the date of expiry of the term of office;
- 5) where, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision.

(2) The Croatian National Bank may revoke approval to perform the function of a member of the credit institution's supervisory board member where conditions for early intervention in accordance with Article 235a of this Act are met.

(3) In carrying out the procedure referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall take measures of an appropriate scope and nature to verify whether there are facts and circumstances referred to in paragraphs (1) and (2) of this Article relating to supervisory board members.

(4) If the Croatian National Bank revokes the approval to perform the function of a member of a credit institution's supervisory board, the credit institution's general assembly shall without delay adopt a decision to remove from office the member of the supervisory board.

### *Competence of the supervisory board*

#### Article 48

In addition to the competence of the supervisory board under the Companies Act, the credit institution's supervisory board shall have the following competences:

- 1) to give approval to the management board for the credit institution's business policy;
- 2) to give approval to the management board for strategic objectives;
- 3) to give approval to the management board for the credit institution's financial plan;
- 4) to give approval to the management board for the strategies and policies for taking up and managing the risks, including those posed by the macroeconomic environment in which the credit institution operates in relation to the status of the business cycle;



- 5) to give approval to the management board for the credit institution's strategies and procedures for assessing the adequacy of internal capital;
- 6) to give approval to the management board for the bylaw on internal audit and the annual internal audit work plan; and
- 7) to adopt decisions concerning other matters laid down in this Act and regulations adopted under this Act.

### *Duties and responsibilities of supervisory board members*

#### Article 49

(1) In addition to the duties and responsibilities laid down in the Companies Act, members of the supervisory board shall:

- 1) give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures and examination of the credit institution within 30 days of receipt of a report on examination findings from the Croatian National Bank or an examination report from other supervisory authorities;
- 2) oversee the adequacy of procedures and effectiveness of internal audit activities;
- 3) state their opinions on semi-annual internal audit reports; and
- 4) immediately notify the Croatian National Bank of the following:
  - their appointment to or removal from the management or supervisory bodies of other legal persons;
  - legal arrangements on the basis of which supervisory board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which the supervisory board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold;
- 5) oversee the implementation and effectiveness of the credit institution's governance arrangements;
- 6) oversee the implementation of the credit institution's business policy, strategic objectives and the strategies and policies for taking up and managing the risks;
- 7) establish and review regularly the basic principles of the remuneration policy, and be responsible for overseeing its implementation;
- 8) ensure that remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and the related governance process; and
- 9) oversee the process of disclosure and communications.

(2) Members of the credit institution's supervisory board shall be jointly liable to the credit institution for damage arising as a consequence of errors of commission or omission in the performance of their duties, unless they demonstrate that in performing their supervisory duties in connection with the management of the credit institution they acted with the due diligence of a prudent businessperson.

## *Supervisory board committees*

### Article 50

(1) The supervisory board of a credit institution which is not a small and non-complex credit institution shall establish a remuneration committee, a nomination committee and a risk committee.

(2) If a credit institution is a small and non-complex credit institution and it has not established a remuneration committee or a nomination committee, the supervisory board shall perform the tasks referred to in Article 51 and/or Article 53 of this Act.

(3) Members of a committee referred to in paragraph (1) of this Article shall be appointed from the members of the credit institution's supervisory board. Each committee shall have at least three members, one of which shall be appointed the chairperson.

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the tasks and method of organisation and operation of each committee referred to in this Article, as well as the method and scope of application of the conditions for committee establishment.

## *Nomination committee*

### Article 51

The nomination committee shall:

- 1) recommend candidates for management and supervisory board members;
- 2) periodically, and at least annually, assess the structure, size, composition and performance of the management and supervisory board and, if necessary, recommend changes;
- 3) periodically, and at least annually, assess the knowledge, skills and experience of individual members of the management and supervisory board and of the management and supervisory board collectively, and report to those boards accordingly;
- 4) periodically review the policy for selection of management and supervisory board members and for appointment of senior management, make recommendations to the management and supervisory board, and, if necessary, recommend changes;
- 5) to the extent possible and on an ongoing basis, ensure that the management and supervisory board's decision making is not dominated by any one individual or small group of individuals, so as to protect the interests of the institution as a whole; and
- 6) perform other activities laid down by regulations.

## *Risk committee*

### Article 52

(1) Members of the risk committee shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the credit institution.

(2) The risk committee shall in particular:

- 1) advise the supervisory board on the institution's overall current and future risk appetite and strategy and assist in overseeing the implementation of that strategy by senior management. The management and supervisory board shall retain overall responsibility for risk management and monitoring;

2) review whether prices of liabilities and assets offered to clients take fully into account the institution's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the risk committee shall present a remedy plan to the management board;

3) in order to assist in the establishment and implementation of sound remuneration policies, the risk committee shall, without prejudice to the tasks of the remuneration committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and

4) perform other activities laid down by regulations.

(3) By way of derogation from Article 50, paragraph (1) of this Act, the supervisory board of a small and non-complex credit institution shall establish a risk committee or may combine a risk and an audit committee, provided that the members of the combined risk and audit committee have the knowledge, skills and expertise required for the members of both committees.

(4) A credit institution shall ensure that members of the risk committee or the risk and audit committee have adequate access to information on the risk profile of the credit institution and, if necessary and appropriate, to the risk management function and to external expert advice.

(5) The risk committee or the risk and audit committee shall determine the nature, the amount, the format, and the frequency of the information on risk which it is to receive from organisational units/persons or functions within the credit institution.

### *Remuneration committee*

#### Article 53

(1) The remuneration committee shall be established in such a way as to enable it to exercise competent and independent judgement on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

(2) The remuneration committee shall:

1) prepare decisions of the supervisory board regarding remuneration, including those which have implications for the risk exposures and risk management of the credit institution concerned; and

2) perform other activities laid down by regulations.

(3) When performing its activities, the remuneration committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the credit institution and the public interest.

### *Key function holders*

#### Article 54

(1) A credit institution shall identify key functions in the credit institution. 'Key function holders of a credit institution' means persons whose positions give them significant influence over the direction of the credit institution, but who are not members of the management or supervisory board.

(2) A credit institution's management board shall adopt and implement appropriate policies for selecting and assessing the suitability of key function holders of the credit institution.

(3) Where a credit institution assesses that a key function holder is not suitable, it shall take appropriate measures to ensure the suitability of the key function holder.

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the content of the policy referred to in paragraph (2) of this Article, the criteria to be respected by the credit institution when assessing the suitability of key function holders of the credit institution and the frequency of assessing compliance with the criteria for key function holders.

*Criteria for membership in the management and supervisory boards of a financial holding company or mixed financial holding company in the Republic of Croatia*

Article 55

The provisions of Articles 38 and 45 of this Act shall apply *mutatis mutandis* to members of the management or supervisory boards of a financial holding company or mixed financial holding company which has its head office in the Republic of Croatia.

### **III PROVISION OF BANKING AND/OR FINANCIAL SERVICES**

#### **III.1 PROVISION OF BANKING SERVICES**

*Provision of banking services*

Article 56

Banking services within the territory of the Republic of Croatia may be provided by:

- 1) credit institutions with head offices in the Republic of Croatia authorised to provide banking services in accordance with this Act;
- 2) credit institutions of other Member States that have established branches within the territory of the Republic of Croatia in accordance with this Act or that have been authorised to provide banking services directly within the territory of the Republic of Croatia; and
- 3) branches of third-country credit institutions authorised by the Croatian National Bank to provide banking services within the territory of the Republic of Croatia.

*Prohibition on the taking of deposits or other repayable funds from the public*

Article 57

Persons other than those referred to in Article 56 of this Act shall be prohibited from the taking of deposits or other repayable funds from the public in the Republic of Croatia.

*Notification of the European Commission and the European Banking Authority*

Article 57a

The Croatian National Bank shall notify the European Commission and the European Banking Authority of laws explicitly allowing undertakings other than credit institutions to carry out the business of taking of deposits and other repayable funds from the public.

*Actions of the Croatian National Bank in case of unauthorised taking of deposits or other repayable funds from the public*

Article 58

Where, in the course of exercising the tasks within its competence, the Croatian National Bank establishes facts and circumstances indicating that deposits or other repayable funds from the public are being received by persons other than those referred to in Article 56 of this Act, it shall notify a State Attorney's Office or another supervisory authority without delay.

*Prohibition on carrying out activities and providing services*

Article 59

A credit institution shall not carry out as its main business activity activities other than banking or financial services for which it has been authorised by the competent authority, and ancillary services.

III.2 AUTHORISATIONS TO PROVIDE BANKING AND/OR FINANCIAL SERVICES

*Authorisation*

*Article 60*

(1) A credit institution shall receive authorisation in accordance with this Act to operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 (hereinafter referred to as 'authorisation').

(2) Authorisation shall include authorisation to provide banking services.

(3) Authorisation may also include authorisation to provide core and additional financial services (hereinafter referred to as 'authorisation to provide financial services').

(4) After a credit institution obtains authorisation, it may be entered in the register of companies.

(5) By way of derogation from paragraphs (3) and (4) of this Article, a credit institution intending to provide an additional financial service referred to in Article 8, 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.

(6) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has obtained authorisation pursuant to the regulations governing the capital market, shall submit to the Croatian National Bank an application for authorisation referred to in paragraph (1) of this Article at the latest on the day when any of the following occurs:

– when the average of its monthly total assets, calculated over a period of 12 consecutive months, is equal to or exceeds an amount of EUR 30 billion; or

– when the average of its monthly total assets, calculated over a period of 12 consecutive months, is less than EUR 30 billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in the group that individually have total assets of less than EUR 30 billion and that carry out any of the activities referred to in Article

5, paragraph (1), items (3) and (6) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21), is equal to or exceeds EUR 30 billion, both calculated as an average over a period of 12 consecutive months.

(7) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has obtained authorisation pursuant to the regulations governing the capital market, may continue to provide the services for which it has been authorised pursuant to the regulations governing the capital market until it obtains the authorisation referred to in paragraph (1) of this Article.

### *Subsequent authorisations*

#### Article 61

All subsequent authorisations obtained by a credit institution pursuant to Article 60, paragraphs (2) and (3) of this Act shall be considered integral parts of the authorisation referred to in paragraph (1) of that Article.

### *Authorisation to provide financial services*

#### Article 62

(1) A credit institution which has its head office in the Republic of Croatia, or a branch of a third-country credit institution, shall obtain authorisation to provide financial services in accordance with this Act before it may enter the financial services it intends to provide in the register of companies.

(2) The decision on the authorisation referred to in paragraph (1) of this Article shall be adopted at the same time as the decision on the authorisation of the credit institution or the authorisation of a branch of a third-country credit institution, unless the application for authorisation referred to in this Article is submitted after the credit institution referred to in paragraph (1) of this Article has been granted authorisation or authorisation to establish a branch of a third-country credit institution.

(3) The Croatian National Bank shall submit to the Croatian Financial Services Supervisory Agency the application for authorisation to provide the financial service referred to in Article 8, paragraph (1), item (18) of this Act, together with the documentation referred to in Article 60, paragraph (7) of Regulation (EU) 2023/1114 and the Delegated Regulation adopted pursuant to Article 60, paragraph (13) of Regulation (EU) 2023/1114 and request an opinion on whether there are doubts that a credit institution would not meet the conditions for the provision of services referred to in Title V of Regulation (EU) 2023/1114.

(4) The Croatian Financial Services Supervisory Agency shall submit to the Croatian National Bank the opinion referred to in paragraph (3) of this Article within 40 days of the date of receipt of the complete documentation referred to in paragraph (3) of this Article. If the documentation is not complete, the Croatian Financial Services Supervisory Agency shall, within 20 days, notify the Croatian National Bank and propose that the party be invited to complete the file.

(5) When dealing with an application for authorisation to provide the financial service referred to in Article 8, paragraph (1), item (18) of this Act, the Croatian National Bank shall take into account the opinion of the Croatian Financial Services Supervisory Agency.

(6) The time limit referred to in Article 327 of this Act within which a decision is taken on the application for authorisation referred to in this Article shall not run until the Croatian Financial



Services Supervisory Agency has delivered the opinion referred to in paragraph (3) of this Article or until the expiry of the time limits referred to in paragraph (4) of this Article.

### *Other authorisations*

#### Article 63

(1) A credit institution that merges by acquisition another credit institution having its head office within or outside the Republic of Croatia or other legal person having its head office within or outside the Republic of Croatia shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation for merger by acquisition') prior to the entry of the decision on merger by acquisition in the register of companies.

(2) A credit institution to be merged by acquisition to another credit institution having its head office within or outside the Republic of Croatia shall obtain authorisation for merger by acquisition from the Croatian National Bank.

(3) The merger by acquisition referred to in paragraphs (1) and (2) of this Article shall include the transfer of all assets and liabilities.

(4) Credit institutions may merge by formation of a new credit institution with credit institutions having their head office within or outside the Republic of Croatia or with other legal persons having their head office within or outside the Republic of Croatia provided they have obtained authorisation from the competent authorities of all participants in the merger (hereinafter referred to as 'authorisation for merger by formation of a new credit institution having its head office within or outside the Republic of Croatia') and that the merger results in the formation of a new credit institution with a head office in the Republic of Croatia or outside the Republic of Croatia. Prior to the entry in the register of companies, the new credit institution having its head office in the Republic of Croatia needs to be authorised by the Croatian National Bank. On the date of the entry of the new credit institution in the register of companies or other relevant register, credit institutions participating in the merger by formation of a new credit institution having its head office within or outside the Republic of Croatia shall cease to exist and the authorisations they obtained from the competent authorities shall lapse.

(5) A credit institution may be divided by transferring all its assets to two or more new credit institutions formed for that purpose, having their head office within or outside the Republic of Croatia. It shall obtain authorisation for division from the Croatian National Bank (hereinafter referred to as 'authorisation for division by formation of new credit institutions') prior to the entry of the new credit institutions in the register of companies or other relevant register. On the date of the entry of the new credit institutions in the register of companies or other relevant register, the credit institution being divided shall cease to exist and the authorisations it obtained from the Croatian National Bank shall lapse.

(6) A credit institution that is divided by transferring all its assets to two or more existing credit institutions having their head office within or outside the Republic of Croatia shall obtain authorisation for division from the Croatian National Bank (hereinafter referred to as 'authorisation for division by acquisition') prior to the entry of the decision on division in the register of companies.

(7) A credit institution may split off one or more parts of its assets by transferring them to one or more new credit institutions formed for that purpose, having their head office within or outside the Republic of Croatia. It shall obtain authorisation for split-off from the Croatian National Bank (hereinafter referred to as 'authorisation for disposal by formation of one or more credit institutions') prior to the entry of the decision on split-off in the register of companies.

(8) A credit institution that splits off one or more parts of its assets by transferring them to one or more existing credit institutions having their head office within or outside the Republic of Croatia shall obtain authorisation for split-off from the Croatian National Bank (hereinafter referred to as 'authorisation for disposal by acquisition') prior to the entry of the decision on split-off in the register of companies.

(9) A credit institution that intends to transfer a portion of its assets and the same proportion of its liabilities to another credit institution having its head office within or outside the Republic of Croatia shall obtain authorisation from the Croatian National Bank before concluding such a contract.

(10) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions for and the manner of obtaining the authorisations referred to in this Article.

(11) A credit institution to be merged by acquisition to another credit institution having its head office within or outside the Republic of Croatia or to be merged by formation of a new credit institution having its head office within or outside the Republic of Croatia shall together with the authorisation referred to in paragraph (2) or (4) of this Article notify the Croatian National Bank of the manner in which it intends to protect the rights of creditors in accordance with the law governing the operation of undertakings and of the manner and time limits for notifying depositors in accordance with the law governing deposit insurance.

(12) A credit institution to be merged by acquisition to another credit institution having its head office in another Member State, where the credit institution it is to be merged to by acquisition has not established a branch in the Republic of Croatia, shall, prior to the merger and at the latest two months after publishing the joint merger plan:

1) notify the creditors of the merger by acquisition, as well as of the manner in which it intends to secure the fulfilment of their claims within the territory of the Republic of Croatia, unless the credit institution met all of its claims towards the creditors from the Republic of Croatia prior to the merger;

2) notify the debtors of the manner in which they will have their claims met within the territory of the Republic of Croatia; and

3) notify the Croatian National Bank of the meeting of all the claims referred to in items (1) and (2) of this paragraph.

(13) A credit institution to be merged by formation with another credit institution having its head office in another Member State, where the credit institution to be formed will have its head office in another Member State, shall, prior to the formation and at the latest two months after publishing the joint formation plan:

1) notify the creditors of the merger by formation, as well as of the manner in which it intends to secure the fulfilment of their claims within the territory of the Republic of Croatia, unless the credit institution met all of its claims towards the creditors from the Republic of Croatia prior to the merger by formation;

2) notify the debtors of the manner in which they will have their claims met within the territory of the Republic of Croatia; and

3) notify the Croatian National Bank of the meeting of all the claims referred to in items (1) and (2) of this paragraph.

(14) A third-country credit institution that intends to merge another credit institution by acquisition shall apply for authorisation referred to in Article 89, paragraph (2) of this Act in

order to ensure the continuance of operations through a branch at least one year prior to the merger.

(15) A third-country credit institution formed by merger by formation with a credit institution having its head office in the Republic of Croatia shall within 15 days of the merger by formation apply to the Croatian National Bank for authorisation referred to in Article 89, paragraph (2) of this Act in order to ensure the continuance of operations through a branch at least one year prior to the merger.

### *Refusing applications for other authorisations*

#### Article 64

(1) The application for authorisation referred to in Article 63, paragraphs (1) and (2) and paragraphs (4) to (9) of this Act shall be refused where this could lead to the disruption of the safety and soundness of any single credit institution or of the stability of the financial system as a whole.

(2) The application for authorisation of a credit institution for merger by acquisition to a third-country credit institution shall be refused if the application for authorisation of such credit institution to establish a branch of a third-country credit institution in accordance with Article 90, paragraph (4) of this Act had been refused.

### *Application for authorisation*

#### Article 65

(1) An application for authorisation shall be accompanied by the documentation prescribed by the Croatian National Bank in the subordinate legislation referred to in paragraph (8) of this Article.

(2) The application referred to in paragraph (1) of this Article shall be accompanied by:

- an application to acquire a qualifying holding and documentation referred to in Article 28, paragraph (5) of this Act;
- the application referred to in Article 39, paragraph (2) and Article 40 of this Act with a proposal for the chairperson and members of the management board and documentation referred to in Article 39, paragraph (4) of this Act; and
- the application referred to in Article 46, paragraph (2) of this Act with a proposal for supervisory board members and documentation referred to in Article 46, paragraph (4) of this Act.

(3) Where a credit institution intends to provide financial services in addition to banking services, it shall specify the types of financial services it intends to provide in the application for authorisation.

(4) A credit institution intending to provide additional financial services referred to in Article 8, paragraph (2), items (2), (3) and (5) of this Act, shall deliver to the Croatian National Bank documentation prescribed in a special law.

(5) Prior to granting the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank shall consult and exchange information with the competent authorities of the Member States pursuant to Article 24, paragraph (9) of this Act, particularly regarding the suitability of an acquirer of a qualifying holding, the reputation, appropriateness of skills and

experience of management and supervisory board members of undertakings within the same group.

(6) The Croatian National Bank shall be competent to obtain evidence regarding the legal or natural persons assessed when deciding on the application for authorisation that they have not been convicted of a misdemeanour, information on whether criminal or misdemeanour proceedings have been initiated against them, and evidence that they have not been convicted by a judgement with final force and effect of any of criminal offences and misdemeanours committed in the Republic of Croatia or criminal offences committed in a Member State from the criminal history records and misdemeanour records, based on a reasoned explanation for each request from the records, or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act.

(7) The Croatian National Bank shall adopt subordinate legislation to regulate the documentation to be enclosed with the application for authorisation and the application for authorisation to provide financial services.

### *Linked application decisions*

#### Article 66

The following applications may be decided simultaneously when issuing authorisations of credit institutions:

- 1) the application to acquire a qualifying holding;
- 2) the application for prior approval for the chairperson or members of the management board and members of the supervisory board; and
- 3) the application to provide financial services referred to in Article 8 of this Act, if the credit institution submitted an application for authorisation to provide such services at the same time.

### *Granting applications for authorisation*

#### Article 67

(1) The Croatian National Bank shall assess whether the following conditions for authorisation are met:

- 1) if for a holder of a qualifying holding or, in case no legal or natural person acquires a qualifying holding, for the 20 largest acquirers of holdings in a credit institution no reasons referred to in Article 29 of this Act exist;
- 2) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by close links between the credit institution and other legal or natural persons;
- 3) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by close links between the credit institution and other legal or natural persons with head offices or domicile or normal place of residence in a third country whose regulations prevent the exercise of supervision or where there are other reasons preventing the exercise of supervision or making it difficult;

- 4) if the persons recommended for the chairperson or members of the management board meet the criteria referred to in Article 38 or Article 40 of this Act or if the persons recommended for supervisory board members meet the criteria referred to in Article 45 of this Act;
  - 5) if the initial capital of the credit institution complies with Article 19 of this Act and if it is evident that the credit institution is organised in accordance with this Act or if the conditions for the operation of credit institutions laid down in this Act, regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions have been met;
  - 6) if it is evident that the credit institution will have physical presence in the Republic of Croatia or that its business will be directed from the territory of the Republic of Croatia;
  - 7) if the provisions of the credit institution's Articles of Association are not contrary to this Act, regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions;
  - 8) if it is evident from the documentation and from other available information that the credit institution meets the personnel, organisational and technical requirements for the provision of banking and/or financial services in the manner and scope envisaged in its business plan;
  - 9) if it is evident from the documentation and from other available information that the credit institution has established governance arrangements referred to in Article 101 of this Act in a manner that enables sound and effective risk management; and
  - 10) if it is evident from the application and the accompanying documentation that the credit institution meets other requirements for the provision of the banking and/or financial services covered by the application for authorisation.
- (2) When deciding on an application for authorisation, the economic needs of the market shall not be examined.
  - (3) In cases referred to in Article 60, paragraph (7) of this Act, when deciding on an application for authorisation, information from existing authorisations shall be taken into account.
  - (4) If the Croatian National Bank determines that the conditions for authorisation referred to in paragraph (1) of this Article are not met, it shall refuse the application and notify the European Central Bank thereof.

### *Lapsing of authorisation*

#### Article 68

- (1) Authorisation shall lapse:
  - 1) on the date of the opening of the voluntary winding-up of a credit institution;
  - 2) on the date of the entry of a new credit institution in the register of companies, in case of a merger of credit institutions;
  - 3) on the date of the removal of a credit institution from the register of companies, in cases referred to in Article 63, paragraphs (2), (4) and (5) of this Act; or
  - 4) on the date, hour and minute specified in the dispositive part of the decision to initiate the compulsory winding-up against a credit institution.
- (2) Authorisation to provide financial services and all other authorisations granted to a credit institution shall lapse at the same time as the credit institution's authorisation.

(3) The Croatian National Bank shall notify the European Central Bank of the lapsing of the credit institution's authorisation pursuant to paragraph (1) of this Article.

### *Reasons for revocation of authorisation*

#### Article 69

(1) The Croatian National Bank shall assess whether any of the following reasons for revocation of authorisation are met:

- 1) where a credit institution does not commence its activities within 12 months of the issue of authorisation;
- 2) where a credit institution submits a written notification to the Croatian National Bank stating that it no longer intends to provide the banking and/or financial services for which authorisation has been granted;
- 3) where a credit institution ceases to provide the services for which it has been authorised for more than six months;
- 4) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four and Six of Regulation (EU) No 575/2013, with the exception of the requirements set out in Articles 92a and 92b of Regulation (EU) No 575/2013 or the additional own funds requirements imposed by a decision of the Croatian National Bank under Articles 224 and 228 of this Act or the specific liquidity requirements under Articles 224 and 225 of this Act;
- 5) where a credit institution can no longer be relied on to fulfil its obligations towards its creditors, and, in particular, no longer provides security for the assets entrusted to it by its depositors;
- 6) where a credit institution fails to meet internal capital requirements and other operating conditions in accordance with regulations on risk management;
- 7) where a credit institution repeatedly fails to meet reporting requirements of the Croatian National Bank in a timely and accurate manner within a three year period;
- 8) where a credit institution prevents supervision of its operation in any manner whatsoever;
- 9) where a credit institution fails to implement supervisory measures imposed by a decision of the Croatian National Bank;
- 10) where there are reasons for revocation of approval to acquire a qualifying holding referred to in Article 32 of this Act;
- 11) where a credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;
- 12) where a credit institution fails to meet the technical, organisational, personnel and other requirements for the provision of banking services;
- 13) where a credit institution fails to act in accordance with Article 151, paragraph (2), item (5) and paragraph (3), item (2) of this Act;
- 14) where a credit institution fails to establish governance arrangements as provided under Article 101 of this Act and subordinate legislation adopted under this Act;
- 15) where a credit institution fails to report information or provides incomplete or inaccurate information on compliance with the obligation to meet own funds requirements set out in



Article 92 of Regulation (EU) No 575/2013 to the Croatian National Bank in breach of Article 99, paragraph (1) of that Regulation;

16) where a credit institution fails to report information or provides incomplete or inaccurate information to the Croatian National Bank in relation to the data referred to in Article 101 of Regulation (EU) No 575/2013;

17) where a credit institution fails to report information or provides incomplete or inaccurate information about large exposures to the Croatian National Bank in breach of Article 394, paragraph (1) of Regulation (EU) No 575/2013;

18) where a credit institution fails to report information or provides incomplete or inaccurate information on liquidity to the Croatian National Bank in breach of Article 415, paragraphs (1) and (2) of Regulation (EU) No 575/2013;

19) where a credit institution fails to report information or provides incomplete or inaccurate information on the leverage ratio to the Croatian National Bank in breach of Article 430, paragraph (1) of Regulation (EU) No 575/2013;

20) where a credit institution repeatedly or persistently fails to meet liquid assets requirements in breach of Article 412 of Regulation (EU) No 575/2013;

21) where a credit institution breaches the provisions on exposure limits set out in Article 395 of Regulation (EU) No 575/2013;

22) where a credit institution is exposed to the credit risk of a securitisation position without satisfying the conditions set out in Article 405 of Regulation (EU) No 575/2013;

23) where a credit institution fails to disclose information or provides incomplete or inaccurate information in breach of Article 431, paragraphs (1), (2) and (3) or Article 451, paragraph (1) of Regulation (EU) No 575/2013;

24) where a credit institution makes payments to holders of instruments included in the calculation of own funds of the institution in breach of Article 140 of this Act or in cases where Articles 28, 51 or 63 of Regulation (EU) No 575/2013 prohibit such payments;

25) where a credit institution is found liable by a judgement with final force and effect for a material breach of the provisions of the law governing the prevention of money laundering and terrorist financing;

26) where a credit institution no longer meets the conditions under which authorisation was granted;

27) where, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision; or

28) where a credit institution uses its authorisation exclusively to carry out the activities referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 and has, for a period of five consecutive years, average total assets below the thresholds set out in that Article.

(2) The decision to revoke authorisation shall state that the decision shall be publicly disclosed.

(3) By way of derogation from paragraph (1) of this Article, the authorisation to a credit institution may not be revoked from the moment a decision to open resolution proceedings is adopted until the moment a decision on the completion of resolution proceedings is adopted.

## Article 70



*Deleted.*

### *Decision to revoke authorisation*

#### Article 71

The Croatian National Bank shall publish a decision to revoke authorisation in the Official Gazette, deliver it to the competent commercial court and the Croatian Deposit Insurance Agency and issue a press release thereon.

### *Refusing applications for authorisation to provide individual financial services*

#### Article 72

The application for authorisation to provide financial services may be refused:

- 1) where it is evident from the documentation and other available information that the credit institution fails to meet the technical, personnel, organisational and other requirements for the provision of individual types of core or additional financial services;
- 2) where supervisory measures have been imposed on a credit institution and the introduction of a new service could adversely affect the implementation of these supervisory measures; or
- 3) where the credit institution fails to meet the specific requirements for the provision of financial services envisaged in the credit institution's business plan, which are laid down in any other regulation governing the provision of financial services.

### *Revocation of authorisation to provide individual financial services*

#### Article 73

(1) The decision to revoke the authorisation to provide financial services shall be adopted:

- 1) where a credit institution obtained authorisation on the basis of false or inaccurate documentation or false presentation of data relevant to its operation;
- 2) where a credit institution no longer meets the technical, personnel, organisational and other requirements for the provision of individual types of financial services;
- 3) where a credit institution no longer meets the requirements laid down in other regulations governing the provision of financial services; or
- 4) where a credit institution submits a written notification stating that it no longer intends to provide one or more financial services for which authorisation has been granted.

(2) The provisions of Article 71 of this Act shall apply *mutatis mutandis* to the revocation of authorisation to provide financial services.

## III.2a FINANCIAL HOLDING COMPANY AND MIXED FINANCIAL HOLDING COMPANY *Authorisation of financial holding companies and mixed financial holding companies*

## Article 73a

(1) Where the Croatian National Bank is the consolidating supervisor, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC which is a member of the group of credit institutions in the RC referred to in Article 278 of this Act shall submit an application for authorisation to the Croatian National Bank in accordance with this Article.

(2) Other financial holding companies or mixed financial holding companies shall also submit to the Croatian National Bank an application for authorisation in accordance with this Article where they are required to comply with this Act and/or Regulation (EU) No 575/2013 on a sub-consolidated basis.

(3) The following shall be enclosed with the application for authorisation referred to in paragraphs (1) and (2) of this Article:

- information on the organisational structure of the group of which the financial holding company or mixed financial holding company is part, with a clear indication of its subsidiaries and, where applicable, parent undertakings, and the location and type of services provided by each of the members within the group;

- information regarding the nomination of at least two persons effectively directing the financial holding company or mixed financial holding company and compliance with the requirements set out in Article 55 of this Act;

- information regarding compliance with the criteria set out in Article 28 of this Act;

- information on the internal organisation and distribution of tasks within the group of credit institutions in the RC to which that financial holding company or mixed financial holding company belongs;

- any other information that might be necessary to carry out the assessments referred to in paragraphs (5) and (6) of this Article or the provisions transposing the provisions of Article 21a, paragraphs (3) and (4) of Directive 2013/36/EU into the national law of the Member States and any other documentation which the Croatian National Bank prescribed in the subordinate legislation referred to in paragraph (20) of this Article.

(4) Where the application for authorisation of a financial holding company or mixed financial holding company referred to in paragraphs (1) and (2) of this Article is submitted together with an application for prior approval to acquire a qualifying holding referred to in Article 26 of this Act, the Croatian National Bank as the consolidating supervisor shall, before adopting a decision, consult the competent authority in the Member State where the financial holding company or mixed financial holding company is established. In that case, the Croatian National Bank may extend the time limit of 20 working days referred to in Article 26, paragraph (4) of this Act for the delivery of additional documentation referred to in Article 27, paragraph (2) of this Act for a period necessary to complete the procedure referred to in this Article. The time limit referred to in Article 26, paragraph (4) of this Act shall not run during this period.

(5) The Croatian National Bank shall grant authorisation to a financial holding company or mixed financial holding company where all of the following conditions are met:

- 1) the internal procedures and distribution of tasks within the group ensure compliance with the requirements imposed by this Act and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis and, in particular, are effective to:

– coordinate all the subsidiaries of the financial holding company or mixed financial holding company including, where necessary, through an adequate distribution of tasks among subsidiary institutions;

– prevent or manage intra-group conflicts; and

– enforce the group-wide policies set by the parent financial holding company or parent mixed financial holding company throughout the group;

2) the organisational structure of the group of which the financial holding company or mixed financial holding company is part does not obstruct or otherwise prevent the effective supervision of the subsidiary institutions or parent institutions as concerns the individual, consolidated and, where appropriate, sub-consolidated obligations to which they are subject. The assessment of that criterion shall take into account, in particular:

– the position of the financial holding company or mixed financial holding company in a multilayered group;

– the ownership structure; and

– the role of the financial holding company or mixed financial holding company within the group;

3) the criteria referred to in Articles 28 and 55 of this Act are complied with.

(6) By way of derogation from paragraphs (1) and (2) of this Article, the RC parent financial holding company, the RC parent mixed financial holding company, the EU parent financial holding company having its head office in the RC and the EU parent mixed financial holding company having its head office in the RC which is a member of the group of credit institutions in the RC referred to in Article 278 of this Act shall not be obligated to submit an application for authorisation in accordance with this Article where they can demonstrate to the Croatian National Bank that all of the following conditions are met:

1) the financial holding company's principal activity is to acquire holdings in subsidiaries;

2) the mixed financial holding company's principal activity with respect to institutions or financial institutions is to acquire holdings in subsidiaries;

3) in accordance with the resolution strategy determined by the competent resolution authority pursuant to regulations governing the resolution of credit institutions and investment firms, the financial holding company or mixed financial holding company has not been designated as a resolution entity in any of the group's resolution groups in accordance with the resolution plan determined by the competent resolution authority;

4) a subsidiary credit institution is designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis and is given all the necessary means and legal authority to discharge those obligations in an effective manner;

5) the financial holding company or mixed financial holding company does not engage in taking management, operational or financial decisions affecting the group or its subsidiaries that are institutions or financial institutions; and

6) there is no impediment to the effective supervision of the group of credit institutions in the RC by the Croatian National Bank on a consolidated basis.

(7) The financial holding company or mixed financial holding company referred to in paragraph (6) of this Article shall instead of the application referred to in paragraph (1) of this Article submit to the Croatian National Bank the application for exemption from the obligation to apply

for the authorisation referred to in this Article and evidence demonstrating that the conditions have been met.

(8) The financial holding company or mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in paragraph (6) of this Article shall be included in the scope of consolidation as laid down in this Act and Regulation (EU) No 575/2013.

(9) The financial holding company or mixed financial holding company referred to in paragraphs (1) and (2) of this Article shall meet the conditions referred to in paragraph (5) of this Article on an ongoing basis.

(10) The financial holding company or mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in paragraph (6) of this Article shall meet those conditions on an ongoing basis.

(11) The Croatian National Bank as the consolidating supervisor shall monitor on an ongoing basis whether the financial holding company or mixed financial holding company meets the conditions referred to in this Article.

(12) At the request of the Croatian National Bank as the consolidating supervisor, the financial holding company or mixed financial holding company shall submit the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in paragraph (5) or, where applicable, paragraph (6) of this Article.

(13) Where the Croatian National Bank as the consolidating supervisor has established that the conditions referred to in paragraph (5) of this Article are not met or in the course of monitoring on an ongoing basis referred to in paragraph (11) of this Article establishes that the conditions have ceased to be met, it shall impose supervisory measures on the financial holding company or mixed financial holding company to ensure or restore, as the case may be, continuity and integrity of consolidated supervision and ensure compliance with the requirements laid down in this Act and in Regulation (EU) No 575/2013 on a consolidated basis. In doing so, the Croatian National Bank shall, where applicable, in particular take into account the effects of these supervisory measures on the financial conglomerate.

(14) To the financial holding company or mixed financial holding company, the Croatian National Bank may in particular:

- impose suspension of voting rights arising from the shares of the subsidiary institutions held by the financial holding company or mixed financial holding company;
- impose administrative sanctions on the financial holding company, the mixed financial holding company or the members of the management body or another responsible person, in accordance with the provisions of this Act;
- order to the financial holding company or mixed financial holding company to transfer holdings to its shareholders or owners of participations in its subsidiary institutions;
- designate on a temporary basis another financial holding company, mixed financial holding company or institution within the group as responsible for ensuring compliance with the requirements laid down in this Act or in Regulation (EU) No 575/2013;
- impose a restriction or prohibition of distributions or interest payments to shareholders;
- order the sale or reduction of holdings in institutions or other financial sector entities; or
- order the submission of a plan on return, without delay, to compliance with the requirements referred to in this Act or Regulation (EU) No 575/2013.

(15) In the case referred to in paragraph (14), the first indent of this Article, suspension of the voting rights means that neither the financial holding company or mixed financial holding company, nor any other person acting on its behalf, may exercise voting rights.

(16) In the case that its voting rights are suspended, and the financial holding company or mixed financial holding company nevertheless votes at the general assembly, such votes shall be null and void.

(17) Where the Croatian National Bank has established that the conditions referred to in paragraph (6) of this Article are no longer met, the financial holding company or mixed financial holding company shall submit an application for authorisation referred to in paragraph (1) or (2) of this Article.

(18) The Croatian National Bank shall decide on the application referred to in this Article within four months of receipt of a valid application and, at the latest, within six months of receipt of the application.

(19) Where the Croatian National Bank decides to refuse the application referred to in this Article, it may impose on the financial holding company or mixed financial holding company a measure referred to in paragraph (14) of this Article.

(20) The Croatian National Bank shall adopt subordinate legislation to further regulate:

- the documentation to be enclosed with the application for authorisation; and
- the content of the reports and notifications, the time limits and the method of reporting information required to monitor on an ongoing basis the compliance with the conditions referred to in this Article.

*Joint decision on the compliance with the conditions by the financial holding company or mixed financial holding company where the Croatian National Bank is the consolidating supervisor*

#### Article 73b

(1) The Croatian National Bank as the consolidating supervisor and the competent authorities of another Member State where the financial holding company or mixed financial holding company is established shall exchange information on each holding company.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the competent authorities of the Member State where the financial holding company or mixed financial holding company is established to reach a joint decision on the compliance with the conditions and the imposition of the measures referred to in Article 73a of this Act.

(3) The Croatian National Bank as the consolidating supervisor shall assess the compliance with the conditions referred to in Article 73a, paragraph (5) of this Act and shall notify the competent authority of the Member State where the financial holding company or mixed financial holding company is established of the results of that assessment.

(4) The joint decision on the compliance with the conditions referred to in Article 73a, paragraph (5) of this Article or the imposition of the measures referred to in Article 73a, paragraph (14) of this Act shall be adopted within two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article.

(5) The joint decision referred to in paragraph (4) of this Article must be written and fully reasoned. The Croatian National Bank as the consolidating supervisor shall deliver this decision to the financial holding company or mixed financial holding company.

(6) In the event of a disagreement on the joint decision referred to in paragraph (4) of this Article, the Croatian National Bank shall refrain from taking a decision.

(7) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall consult the European Banking Authority in accordance with Article 19 of Regulation (EU) No 1093/2010.

(8) Where the European Banking Authority takes its decision within one month of receipt of the application for assistance, the joint decision shall be adopted in conformity with that decision. Where the decision of the European Banking Authority is not reached within one month of receipt of the application for assistance, the Croatian National Bank shall reach its own decision.

(9) The Croatian National Bank may not refer the matter to the European Banking Authority and request its assistance referred to in paragraph (7) of this Article after the expiry of a period of two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article or after a joint decision has been reached.

(10) In the case of a mixed financial holding company, where the Croatian National Bank is not the coordinator determined in accordance with the regulations governing financial conglomerates, the Croatian National Bank shall request agreement from the coordinator before adoption of the joint decision referred to in this Article.

(11) In the case referred to in paragraph (10) of this Article, where the coordinator does not agree with the proposal of the joint decision, the Croatian National Bank shall refer the matter to the European Banking Authority or, where applicable, the European Insurance and Occupational Pensions Authority (EIOPA) and requests its assistance.

(12) A joint decision adopted in accordance with this Article shall be without prejudice to the obligations under regulations governing financial conglomerates and regulations governing the operation of insurance undertakings.

*Joint decision on the compliance with the conditions by the financial holding company or mixed financial holding company where the Croatian National Bank is not the consolidating supervisor*

#### Article 73c

(1) Where the Croatian National Bank is not the consolidating supervisor of a financial holding company or mixed financial holding company established in the Republic of Croatia, the Croatian National Bank shall exchange information regarding that holding company with the consolidating supervisor.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the consolidating supervisor to reach a joint decision on the compliance with the conditions referred to in Article 73a, paragraph (5) of this Act and the imposition of the measures referred to in Article 73a, paragraph (14) of this Act.

(3) The joint decision referred to in paragraph (2) of this Article shall be reached within two months of receipt of the assessment prepared by the consolidating supervisor.



(4) If the joint decision referred to in paragraph (3) of this Article is reached, the Croatian National Bank shall adopt an appropriate decision and deliver it to a financial holding company or mixed financial holding company established in the Republic of Croatia.

(5) In the event of a disagreement on the joint decision referred to in paragraph (3) of this Article, the Croatian National Bank shall refrain from taking a decision and shall refer the matter to the European Banking Authority in accordance with Article 19 of Regulation (EU) No 1093/2010 and request its assistance.

(6) Where the European Banking Authority takes its decision within one month of receipt of the application for assistance, the joint decision shall be adopted in conformity with that decision. Where the decision of the European Banking Authority is not reached within one month of receipt of the application for assistance, the Croatian National Bank shall reach its own decision.

(7) The Croatian National Bank may not refer the matter to the European Banking Authority and request its assistance as referred to in paragraph (6) of this Article after the expiry of a period of two months of receipt of the assessment prepared by the consolidating supervisor or after a joint decision has been reached.

*Revocation of authorisation of financial holding companies and mixed financial holding companies*

Article 73d

The Croatian National Bank shall revoke the authorisation referred to in Article 73a of this Article where an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC or an EU parent mixed financial holding company having its head office in the RC fails to take any action required to ensure compliance with the requirements set out in Part Three, Four, Six or Seven of Regulation (EU) No 575/2013 or the additional own funds requirements imposed by a decision of the Croatian National Bank under Articles 224 and 228 of this Act or the specific liquidity requirements under Articles 224 and 225 of this Act.

*Intermediate EU parent undertaking*

Article 73e

(1) Two or more institutions having their head office in the European Union, which are part of the same third-country group, shall have a single intermediate EU parent undertaking that is established in the European Union (hereinafter referred to as 'intermediate EU parent undertaking').

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank in cooperation with other authorities competent for the supervision of a member of a third-country group may decide that the third-country group may have two intermediate EU parent undertakings where they together determine that the establishment of a single intermediate EU parent undertaking would:

– be incompatible with a mandatory requirement for separation of activities imposed by the rules or where such a decision was adopted by the supervisory authorities of the third country where the ultimate parent undertaking of the third-country group has its head office; or



– render resolvability less efficient than in the case of two intermediate EU parent undertakings according to an assessment carried out by the competent resolution authority of the intermediate EU parent undertaking.

(3) A credit institution which has been granted the authorisation referred to in Article 60 of this Act and which is a member of a third-country group together with another institution having its head office in the EU shall:

- 1) have an intermediate EU parent undertaking; or
- 2) be designated as the intermediate parent undertaking.

(4) By way of derogation from paragraph (3) of this Article, a credit institution which has been granted the authorisation referred to in Article 60 of this Act and which is part of a third-country group shall not be required to have an intermediate EU parent undertaking or, in accordance with paragraph (3) of this Article, be designated as the intermediate EU parent undertaking where:

- the total value of assets in the EU of all members of the third-country group is less than EUR 40 billion; or
- the credit institution which has been granted the authorisation referred to in Article 60 of this Act is the only institution in that group which operates in the European Union.

(5) An intermediate EU parent undertaking may be a credit institution which has been granted the authorisation pursuant to Article 60 of this Act or a financial holding company or mixed financial holding company which has been granted the authorisation referred to in Article 73a of this Act.

(6) By way of derogation from paragraph (5) of this Article, where none of the institutions referred to in paragraph (1) of this Article is a credit institution or a second intermediate EU parent undertaking must be established in connection with investment activities, the intermediate EU parent undertaking or another intermediate EU parent undertaking may be an investment firm authorised in accordance with the regulation governing the capital market or national regulation transposing Article 5, paragraph (1) of Directive 2014/65/EU, which is subject to the regulation governing the resolution of credit institutions and investment firms or to the regulation transposing Directive 2014/59/EU into national law.

(7) For the purposes of this Article, the total value of assets in the EU of the third-country group shall be the sum of the following:

- the total value of assets of each institution in the EU of the third country-group, as resulting from its consolidated balance sheet or as resulting from their individual balance sheet, where an institution's balance sheet is not consolidated; and
- the total value of assets of each branch of the third-country group authorised to establish a branch in the EU in accordance with this Act, the law governing the capital market or Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (Text with EEA relevance) (OJ L 173, 12.6.2014).

(8) The Croatian National Bank shall notify the following information in respect of each third-country group operating within the territory of the Republic of Croatia to the European Banking Authority:

- the names and the total value of assets of each credit institution belonging to a third-country group which operates within the territory of the Republic of Croatia;

- the names and the total value of assets corresponding to each branch which has been authorised to establish a branch of a third-country credit institution in accordance with this Act and the types of activities for which they have been granted authorisation;
- the name and the type of any intermediate EU parent undertaking having its head office in the Republic of Croatia and the name of the third-country group of which it is part.

(9) For the purposes of this Article, the term 'institution' shall also include investment firms.

### III.3 PROVISION OF MUTUALLY RECOGNISED SERVICES OUTSIDE THE TERRITORY OF THE REPUBLIC OF CROATIA BY CREDIT INSTITUTIONS WITH HEAD OFFICES IN THE REPUBLIC OF CROATIA

#### **III.3.1 Provision of services within the territory of another Member State**

##### *Provision of services in another Member State*

##### Article 74

(1) A credit institution having its head office in the Republic of Croatia or a financial institution having its head office in the Republic of Croatia that meets the conditions referred to in Article 84, paragraph (1) of this Act may, under the conditions laid down in this Act, provide mutually recognised services for which it is authorised in the Republic of Croatia through a branch or directly within the territory of another Member State.

(2) A credit institution having its head office in the Republic of Croatia may, under the conditions laid down in this Act, provide additional financial services within the territory of another Member State through a branch or directly where so permitted by the regulations of the host Member State and where authorised for the provision of such services by the Croatian National Bank.

##### *Provision of services by a credit institution in another Member State through a branch*

##### Article 75

(1) A credit institution having its head office in the Republic of Croatia that intends to establish a branch within the territory of another Member State shall submit an application for authorisation to the Croatian National Bank, stating the Member State where it intends to establish the branch and shall submit the following information:

- 1) a business plan for the first three years of business, setting out the types and the scale of services it intends to provide through the branch and the organisational structure of the branch;
- 2) the address in the host Member State from which the Croatian National Bank may obtain documentation on the branch; and
- 3) the names and addresses of natural persons who will be responsible for directing the business of the branch.

(2) A credit institution shall submit the information referred to in paragraph (1) of this Article to the Croatian National Bank in the scope laid down in Commission Delegated Regulation (EU) No 1151/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the information to be notified when exercising the right of establishment and the freedom to provide services (Text with EEA relevance) (OJ L 309/1, 30. 10. 2014, hereinafter referred to as 'Commission

Delegated Regulation (EU) No 1151/2014') and in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 of 27 August 2014 laying down implementing technical standards with regard to standard forms, templates and procedures for notifications relating to the exercise of the right of establishment and the freedom to provide services according to Directive 2013/36/EU of the European Parliament and of the Council (Text with EEA relevance) (OJ L 254/2, 28. 8. 2014, hereinafter referred to as 'Commission Implementing Regulation (EU) No 926/2014').

(3) The Croatian National Bank may request additional documentation within 30 days of receipt of the application referred to in paragraph (1) of this Article.

(4) The Croatian National Bank shall decide on the application of the credit institution for the establishment of a branch (hereinafter referred to as 'authorisation to establish a branch in a Member State') at the latest within 60 days of the delivery date of the complete and accurate information referred to in paragraph (1) of this Article and shall notify the credit institution and the Croatian Deposit Insurance Agency accordingly.

(5) After the issuance of the authorisation referred to in paragraph (4) of this Article, the Croatian National Bank shall without delay, within the time limit of three months of the delivery date of the complete and accurate information referred to in paragraph (1) of this Article, deliver to the competent authority of the host Member State the information referred to in paragraph (1) of this Article together with the data on the amount and composition of own funds and the sum of the own funds requirements of the credit institution calculated in accordance with Article 92 of Regulation (EU) No 575/2013 in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and shall notify the credit institution accordingly.

(6) The Croatian National Bank shall refuse the credit institution's application if, on the basis of all available information, it assesses that:

1) the credit institution does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in the Member State in question through a branch;

2) the application to establish a branch represents an attempt to evade stricter rules and regulations in force in the Republic of Croatia; or

3) this could jeopardise the safety and stability of the credit institution's operation.

(7) The Croatian National Bank shall adopt subordinate legislation to further regulate the authorisation procedure referred to in paragraph (4) of this Article.

### *Provision of services by financial institutions in another Member State through a branch*

#### Article 76

(1) If a financial institution whose head office is in the Republic of Croatia and which is a subsidiary of one or more credit institutions which have their head office in the Republic of Croatia meets the conditions referred to in Article 84, paragraph (1) of this Act and intends to provide mutually recognised financial services within the territory of another Member State through a branch, the parent credit institution of the said financial institution shall notify the Croatian National Bank thereof.

(2) The parent credit institution shall submit with the notification referred to in paragraph (1) of this Article:

- 1) the information referred to in Article 75, paragraph (1) of this Act, in the scope and manner referred to in Article 75, paragraph (2) of this Act;
  - 2) the documentation verifying compliance with the conditions referred to in Article 84, paragraph (1) of this Act;
  - 3) data on the amount and composition of own funds or the amount of other prescribed form of capital of the financial institution and the total risk exposure amounts calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013 of the credit institution which is its parent undertaking; and
  - 4) authorisation by the supervisory authority, where required, to establish a branch of the financial institution in another Member State.
- (3) The Croatian National Bank may request additional documentation within 30 days of receipt of the notification referred to in paragraph (1) of this Article.
- (4) The Croatian National Bank shall check, at the latest within 60 days of the delivery date of complete and accurate information referred to in paragraph (1) of this Article, whether the financial institution meets the conditions set out in Article 84, paragraph (1) of this Act and, if it assesses that the conditions set out in Article 84, paragraph (1) of this Act have been met, it shall supply the financial institution with a certificate of compliance through the parent credit institution, all within the set time limit of 60 days.
- (5) The Croatian National Bank shall without delay deliver the notification to the competent authority of the host Member State, within the time limit of three months of the delivery date of complete and accurate information referred to in paragraph (1) of this Article in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and a certificate of compliance, and enclose data on the amount and composition of own funds or other prescribed form of capital of the financial institution, the sum of consolidated own funds and consolidate own funds requirements of the group of credit institutions in the Republic of Croatia (hereinafter referred to as 'group of credit institutions in the RC') of which that financial institution is a member as well as data on the total risk exposure amounts of the group calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013.
- (6) The Croatian National Bank shall not deliver the notifications referred to in paragraphs (4) and (5) of this Article and shall deliver a decision to refuse the delivery of the notification if, on the basis of all available information, it assesses that:
- 1) the financial institution does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in the Member State in question through a branch; or
  - 2) this could jeopardise the safety and stability of the credit or financial institution's operation.
- (7) By way of derogation from paragraph (1) of this Article, financial institutions that have been authorised by a competent authority in the Republic of Croatia shall, for the purpose of providing services in another Member State, be subject to the laws governing their operation.
- (8) If the Croatian National Bank establishes that a financial institution no longer meets any of the conditions referred to in Article 84, paragraph (1) of this Act, it shall notify the competent authority of the host Member State without delay.
- (9) The provisions of this Title shall apply *mutatis mutandis* to subsidiaries of financial institutions meeting the conditions referred to in paragraph (1) of this Article.
- (10) The provisions of Articles 192 to 197 and Article 214, paragraph (1), item (1) of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

## *Commencement of the provision of services through a branch*

### Article 77

(1) A credit institution that has been authorised by the Croatian National Bank to establish a branch in another Member State may begin to provide services through a branch within the territory of another Member State:

1) from the date it receives the notification from the competent authority of the host Member State of the conditions which, in the interests of the general good, must be met when providing services in that Member State; or

2) without receipt of such notification, following the expiry of a period of two months of receipt by the competent authority of the host Member State of the notification and documentation referred to in Article 75, paragraph (1) of this Act.

(2) Where a credit institution that has been authorised by the Croatian National Bank to establish a branch in another Member State intends to establish any further branches in the same Member State, it shall notify the Croatian National Bank. The provisions of Article 75 of this Act shall not apply in such cases.

(3) The provisions of paragraph (1) of this Article shall apply *mutatis mutandis* to the financial institution referred to in Article 76 of this Act.

## *Changes in branch data*

### Article 78

(1) A credit institution that has been authorised to establish a branch in another Member State or a parent credit institution of the financial institution referred to in Article 76 of this Act that intends to subsequently change any of the data referred to in Article 76, paragraph (2) of this Act, shall, at least one month before effecting the change, notify the Croatian National Bank in order to enable the Croatian National Bank to take actions in accordance with Articles 75 and 76 of this Act, and the competent authority of the host Member State.

(2) The notification referred to in paragraph (1) of this Article shall be delivered by the credit institution in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

## *Annulment or revocation of authorisation to establish a branch in another Member State*

### Article 79

(1) The Croatian National Bank shall annul authorisation to establish a branch in another Member State where a credit 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.

(2) The Croatian National Bank shall revoke authorisation to establish a branch in another Member State:

1) where the branch fails to commence its operation within six months of obtaining authorisation;

2) where the competent authority of the host Member State has prohibited the credit institution from providing services within its territory; or

3) where the branch has not performed operations covered by the authorisation for more than six months.

(3) The Croatian National Bank may revoke authorisation to establish a branch in another Member State:

1) where it is established that the credit institution no longer meets the organisational, technical and personnel requirements relating to the services it provides;

2) where the credit institution fails to meet the requirements relating to insurance of deposits with the branch;

3) where the credit institution does not comply with the regulations of the host Member State in the operation of the branch; or

4) where the geographical distribution of the provision of services indicates that the credit institution uses the branch to evade stricter rules and regulations in force in the Republic of Croatia.

(4) A credit institution having its head office in the Republic of Croatia that provides services in another Member State through a branch may apply for removal of a branch from the register of companies or other relevant register kept in the host Member State only upon settlement of all obligations arising from the operation of the branch.

### *Direct provision of services in another Member State*

#### Article 80

(1) A credit institution having its head office in the Republic of Croatia that intends to directly provide mutually recognised services within the territory of another Member State shall notify the Croatian National Bank in advance and state the Member State in which it intends to provide services directly.

(2) A credit institution having its head office in the Republic of Croatia that is a parent undertaking of a financial institution meeting the requirements referred to in Article 84, paragraph (1) of this Act and that intends to directly provide mutually recognised services within the territory of another Member State shall notify the Croatian National Bank in advance and state the Member State in which the financial institution intends to provide services directly.

(3) Along with the notification referred to in paragraphs (1) and (2) of this Article, the credit institution shall deliver information on services it intends to provide in the Member State and the business plan for the first three years of business in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

(4) Within one month of receipt of the notification referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall deliver to the competent authority of the host Member State the notification in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014 and notify the credit institution accordingly.

(5) A credit or financial institution may begin to directly provide the mutually recognised services listed in the notification referred to in paragraphs (1) and (2) of this Article from the date of receipt of a notification from the Croatian National Bank that the notification referred



to in the preceding paragraph has been delivered to the competent authority of the Member State.

### **III.3.2 Provision of banking and/or financial services in a third country**

#### *Provision of services in a third country*

##### Article 81

(1) A credit institution having its head office in the Republic of Croatia may provide banking and/or financial services in a third country only through a branch.

(2) Before establishing a branch in a third country, a credit institution shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a branch in a third country').

(3) A credit institution having its head office in the Republic of Croatia that intends to establish a branch in a third country shall submit an application for authorisation to the Croatian National Bank, stating the country where it intends to open the branch, and shall enclose with the application:

1) a business plan for the first three years of business, setting out the types and the scale of services it intends to provide through the branch and the organisational structure of the branch;

2) the address in the host country from which the Croatian National Bank may obtain documentation on the branch; and

3) the names and addresses of natural persons who will be responsible for directing the business of the branch.

(4) The Croatian National Bank may request additional documentation within one month of receipt of the application referred to in paragraph (3) of this Article. If the Croatian National Bank requests additional documentation, the date of receipt of a valid application shall be deemed the delivery date.

(5) The Croatian National Bank shall decide on the application of the credit institution for the establishment of a branch within 60 days of the delivery date of a valid application.

(6) The Croatian National Bank shall refuse the application if, on the basis of the information available to it, it assesses that the credit institution intending to establish a branch:

1) does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in a third country;

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

3) the credit institution thus attempts to evade stricter rules in force in the Republic of Croatia.

(7) Where a credit institution that has been authorised by the Croatian National Bank to establish a branch in a third country intends to establish any further branches in the same country, it shall notify the Croatian National Bank. The provisions of paragraphs (1) to (6) of this Article shall not apply in such cases.

(8) Where a credit institution that has been authorised to establish a branch in a third country intends to subsequently change any of the data referred to in paragraph (3) of this Article, it shall notify the Croatian National Bank thereof at least one month before effecting the change.



(9) The Croatian National Bank shall annul authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia where the credit institution obtained authorisation to establish a branch in a third country on the basis of false or inaccurate data, which were relevant for obtaining authorisation to establish a branch.

(10) The Croatian National Bank shall revoke authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia:

1) where the competent authority of the host country has prohibited the credit institution from providing services within its territory;

2) where the branch fails to commence its operation within six months of obtaining authorisation;

3) where the branch has not performed operations covered by the authorisation for more than six months; or

4) where the branch ceases to comply with the requirements pursuant to which it was granted authorisation.

(11) The Croatian National Bank may revoke authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia:

1) where it is established that the credit institution no longer meets the organisational, technical and personnel requirements relating to the services it provides;

2) where the credit institution fails to meet the requirements relating to insurance of deposits with the branch;

3) where the credit institution does not comply with the regulations of the third country in the operation of the branch; or

4) where the geographical distribution of the provision of services indicates that the credit institution uses the branch to evade stricter rules and regulations in force in the Republic of Croatia.

(12) A credit institution having its head office in the Republic of Croatia that provides services in a third country may apply for removal of a branch from the register of companies or other relevant register kept in that country only upon settlement of all obligations arising from the operation of the branch.

### **III.3.3 Establishment of representative offices outside the Republic of Croatia**

#### *Establishment of representative offices outside the Republic of Croatia*

##### Article 82

A credit institution having its head office in the Republic of Croatia that intends to establish a representative office in a third country shall notify the Croatian National Bank thereof and state the country in which it intends to establish a representative office.

### **III.4 PROVISION OF MUTUALLY RECOGNISED SERVICES BY CREDIT INSTITUTIONS WITH HEAD OFFICES OUTSIDE THE REPUBLIC OF CROATIA WITHIN THE TERRITORY OF THE REPUBLIC OF CROATIA**

### **III.4.1 The right of establishment and the freedom to provide mutually recognised services by credit institutions of the Member States**

#### *Provision of services by credit institutions of other Member States*

##### Article 83

(1) A credit institution of another Member State may establish a branch in the Republic of Croatia and provide mutually recognised services that it is authorised to provide in the home Member State through that branch under the conditions laid down in this Act.

(2) A credit institution of a Member State may, on a temporary basis, directly provide mutually recognised services that it is authorised to provide in the home Member State within the territory of the Republic of Croatia under the conditions laid down in this Act.

#### *Provision of mutually recognised financial services by financial institutions of the Member States*

##### Article 84

(1) A financial institution of another Member State may provide those mutually recognised services referred to in Article 9, paragraph (1), item (2) of this Act that it is authorised to provide in the home Member State through a branch or, on a temporary basis, directly within the territory of the Republic of Croatia, provided that the following conditions are met:

1) its parent undertaking is one or more credit institutions with head offices in a Member State that have been authorised by the competent authority;

2) it provides recognised financial services in the home Member State pursuant to its Articles of Association or another legal act;

3) it actually provides financial services in that Member State;

4) the parent credit institution or institutions hold 90% or more of the voting rights in the financial institution;

5) its parent credit institutions have satisfied the competent authorities of the home Member State regarding the prudent management of the institution and, with the consent of the competent supervisory authorities, jointly guarantee the commitments entered into by the financial institution; and

6) the financial institution is effectively included in the consolidated supervision of the parent credit institution, or of each of the parent credit institutions, in accordance with Title XXII of this Act and Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013, in particular for the purposes of calculating the own funds requirements set out in Article 92 of Regulation (EU) No 575/2013, for the control of large exposures provided for in Part Four of Regulation (EU) No 575/2013 and for the purposes of the limitation of qualifying holdings outside the financial sector provided for in Articles 89 and 90 of Regulation (EU) No 575/2013.

(2) The provisions of this Title shall apply *mutatis mutandis* to subsidiaries of financial institutions meeting the conditions referred to in paragraph (1) of this Article.

(3) The provisions of Article 10, Articles 192 to 198 and Article 214, paragraph (1), item (1) of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

#### *Providing services through a branch in the Republic of Croatia*

## Article 85

(1) A credit institution of another Member State or the financial institution referred to in Article 84 of this Act that intends to establish a branch within the territory of the Republic of Croatia may submit an application to enter the branch in the register of companies and begin to provide services following the expiry of a period of two months of receipt by the Croatian National Bank of the notification from the competent authority of the home Member State in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

(2) By way of derogation from paragraph (1) of this Article, the credit institution from another Member State or the financial institution referred to in Article 84 of this Act may submit an application to enter the branch even before the expiry of the time limit referred to in paragraph (1) of this Article if it received from the Croatian National Bank a notification of the conditions which, in the interests of the general good, it must meet when providing services within the territory of the Republic of Croatia.

(3) A credit or financial institution referred to in paragraph (1) of this Article that intends to subsequently change any of the data delivered to the competent authority of the home Member State, shall, in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, notify the Croatian National Bank at least one month before effecting the change.

(4) If a competent authority of the home Member State notifies the Croatian National Bank that the financial institution does not meet any of the conditions referred to in Article 84, paragraph (1) of this Act, the regulations governing the operation of financial institutions in the Republic of Croatia shall apply to the operation of the financial institution. In this case, the Croatian National Bank shall forward the notification in question to the supervisory authority in the Republic of Croatia.

## Article 86

*Deleted.*

### *Direct provision of services in the Republic of Croatia*

## Article 87

A credit institution of another Member State or the financial institution referred to in Article 84 of this Act may begin to directly provide mutually recognised services within the territory of the Republic of Croatia on the date of receipt by the Croatian National Bank of the notification from the competent authority of that Member State, including a list of services it intends to provide within the territory of the Republic of Croatia.

### *Application of other provisions of this Act and other regulations to credit institutions of other Member States*

## Article 88

(1) The provisions of this Act and of regulations adopted under this Act relating to credit institutions shall apply *mutatis mutandis* to credit institutions from other Member States

providing mutually recognised services directly within the territory of the Republic of Croatia, in particular the ones relating to:

- 1) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);
- 2) the obligation of banking secrecy (Articles 156 to 158);
- 3) supervision of credit institutions;
- 4) consumer protection (Articles 300 to 312);
- 5) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5)).

(2) The provisions of this Act and of regulations adopted under this Act relating to credit institutions shall apply *mutatis mutandis* to branches of credit institutions from other Member States providing mutually recognised services within the territory of the Republic of Croatia, in particular the ones relating to:

- 1) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);
- 2) sale of placements (Article 150, paragraphs (5) and (8));
- 3) reporting at the request of the Croatian National Bank (Article 153);
- 4) the obligation of banking secrecy (Articles 156 to 158);
- 5) supervision of credit institutions;
- 6) annual supervision fees (Article 200);
- 7) consumer protection (Articles 300 to 312);
- 8) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5)).

(3) The credit institution referred to in paragraph (1) of this Article and the branch of a credit institution referred to in paragraph (2) of this Article shall also comply with other regulations which, in the interests of the general good, apply within the territory of the Republic of Croatia.

### **III.4.2 Branches of third-country credit institutions**

#### *Provision of services through branches of third-country credit institutions*

##### Article 89

(1) A third-country credit institution (founder) may provide banking and/or financial services within the territory of the Republic of Croatia only through a branch, provided it is authorised to provide such services in the third country.

(2) A third-country credit institution (founder) intending to establish a branch within the territory of the Republic of Croatia shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a branch of a third-country credit institution').

(3) The authorisation referred to in paragraph (2) of this Article shall contain a list of services that branches of third-country credit institutions may provide within the territory of the Republic of Croatia.

(4) Branches of third-country credit institutions may be entered in the register of companies after obtaining authorisation from the Croatian National Bank.

(5) A third-country credit institution (founder) may establish only one branch within the territory of the Republic of Croatia. If a third-country credit institution (founder) wishes to operate in more than one location within the territory of the Republic of Croatia, it may open one or more organisational units.

### *Establishment of branches of third-country credit institutions*

#### Article 90

(1) Applicants for authorisation to establish a branch of a third-country credit institution in the Republic of Croatia shall enclose with their application:

- 1) a certificate from the register of companies or other relevant register in the country where the third-country credit institution (founder) has its head office, not older than three months, indicating its legal form, date of the entry in the register, persons authorised to represent it and the scope of their powers or, if the credit institution is established in a country that does not keep such a register, legally valid documents on establishment certified in accordance with the regulations of the country where the credit institution has its head office, indicating its legal form, date of establishment, persons authorised to represent it and the scope of their powers;
- 2) the decision of the third-country credit institution (founder) to establish a branch;
- 3) a copy of the deed of establishment, memorandum or Articles of Association of the third-country credit institution (founder), certified in accordance with the regulations of the country where the credit institution has its head office;
- 4) data on the members of management and supervisory bodies of the third-country credit institution (founder);
- 5) an application for prior approval for persons who will be responsible for directing the business of the branch of the third-country credit institution;
- 6) audit reports of the third-country credit institution (founder) for the three preceding years of business;
- 7) a credible document indicating the owners of the institution and their rights in managing the third-country credit institution (founder);
- 8) a certificate from the register of companies or other relevant register in the country where legal persons who are holders of qualifying holdings in the third-country credit institution (founder) have their head office, including a list of natural persons who are the ultimate shareholders of these legal persons;
- 9) authorisation to provide banking and financial services granted to the third-country credit institution (founder) by the competent authority;
- 10) a list of banking and financial services the branch of the third-country credit institution intends to provide in the Republic of Croatia and a business plan for the first three years of business;
- 11) a relevant legal act of the competent authority in the Republic of Croatia where so required by the regulations governing the provision of financial services envisaged in the business plan referred to in item (10) of this paragraph;

12) a list of persons connected with the third-country credit institution (founder) in the manner referred to in Article 16 of this Act;

13) authorisation by the competent authority of the third-country credit institution (founder) to establish the branch or a statement by the authority in question that such authorisation is not required under the regulations of the country where the credit institution has its head office, not older than six months;

14) a statement by the third-country credit institution (founder) that the branch will keep all documentation relating to its business in the Croatian language and store it at the headquarters of the branch and will prepare financial statements in accordance with this Act, regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions; and

15) information on the deposit insurance scheme of which the third-country credit institution (founder) is a member.

(2) The Croatian National Bank may request additional information and documentation

within one month of receipt of the application referred to in paragraph (1) of this Article. If the Croatian National Bank requests additional information or documentation, the date of receipt of a valid application shall be deemed the delivery date.

(3) The provisions of Articles 36 to 40 and Article 44 of this Act and the regulations of the European Union governing the operation of credit institutions, in the part related to the rights and obligations of management board members, shall apply *mutatis mutandis* to the procedure for granting, annulment and revocation of prior approvals for persons who will be responsible for directing the business of a branch of a third-country credit institution.

(4) The Croatian National Bank shall refuse an application to establish a branch of a third-country credit institution if:

1) based on the data available to it and the documentation enclosed with the application, it assesses that the third-country credit institution (founder) does not have the adequate financial position or the appropriate organisational, technical and personnel structure to operate in accordance with the provisions of this Act and the regulations of the European Union governing the operation of credit institutions through a branch it intends to establish;

2) in view of the regulations of the country where the third-country credit institution (founder) has its head office 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;

3) it assesses that the person responsible for directing the business of the branch of the third-country credit institution does not meet the criteria for members of the credit institution's management board prescribed in Article 38 of this Act or the regulations of the European Union governing the operation of credit institutions, in the part related to the rights and obligations of management board members;

4) the third country in which the credit institution has its head office has no regulations preventing money laundering and/or if these regulations do not provide for effective supervision of the prevention of money laundering and if the third-country credit institution (founder) or persons referred to in paragraph (1), item (8) of this Article are, in any way whatsoever, connected with money laundering or terrorist financing or there are indications of it; or

5) the Croatian National Bank has not concluded a cooperation agreement regarding supervision with the competent authority of the third country in which the credit institution that is the founder of the branch has its head office.

(5) The Croatian National Bank shall grant authorisation to establish a branch of a third-country credit institution under the condition that the third-country credit institution places a deposit of not less than EUR 5,000,000.00 in the account with a credit institution which has its head office in the Republic of Croatia. The funds deposited shall be held in the account until the entry of the branch of the third-country credit institution (founder) in the register of companies, at which time they shall be transferred to the settlement account of the branch held with the Croatian National Bank. The funds shall be deemed to be own funds within the meaning of this Act.

(6) A third-country credit institution (founder) may increase the amount of own funds referred to in the preceding paragraph of this Article. The own funds increase may be effected only by payment in cash to the account of the branch held in the Republic of Croatia.

(7) Where a third-country credit institution (founder) intends to begin to provide other services that are not covered by the authorisation to establish a branch of the third-country credit institution within the territory of the Republic of Croatia, it shall apply to the Croatian National Bank for authorisation to provide such services.

(8) In connection with the authorisation referred to in paragraph (7) of this Article, the third-country credit institution (founder) shall deliver the documentation referred to in paragraph (1), items (9) and (10) and paragraph (2) of this Article. The provisions of paragraph (4) of this Article shall apply *mutatis mutandis*.

### *Dissolution of branches of third-country credit institutions*

#### Article 91

(1) Authorisation to establish a branch of a third-country credit institution shall lapse:

1) where the competent authority revoked or annulled the third-country credit institution's (founder's) authorisation, as of the date of revocation or annulment of authorisation;

2) where the third-country credit institution (founder) ceases to exist in the country where it has its head office or under the regulations of that country loses its business capacity, or the competent court removes the third-country credit institution (founder) from the register of companies or other relevant register, or the institution loses the right to dispose of its assets, as of the date when one of the reasons arises;

3) where the third-country credit institution (founder) adopted a decision on winding-up of the branch;

4) where a competent court adopted a decision to initiate compulsory winding-up of the branch of the third-country credit institution.

(2) The Croatian National Bank shall annul authorisation to establish a branch of a third-country credit institution (founder) where the credit 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.

(3) The Croatian National Bank shall revoke authorisation to establish a branch of a third-country credit institution (founder):



- 1) where conditions for refusal of the application for authorisation referred to in Article 90, paragraph (4), items (1), (2), (3) and (6) of this Act arise;
  - 2) where the branch of the third-country credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;
  - 3) where the branch of the third-country credit institution does not commence its activities within six months of the issue of authorisation;
  - 4) where the branch of the third-country credit institution ceases to operate for more than six months;
  - 5) where the branch of the third-country credit institution does not operate in accordance with applicable regulations of the Republic of Croatia and regulations of the European Union governing the operation of credit institutions; or
  - 6) where the branch of the third-country credit institution fails to meet its financial obligations in the Republic of Croatia.
- (4) Where the competent authority of a third-country credit institution (founder) annuls or revokes authorisation to provide a certain financial service, the credit institution shall notify the Croatian National Bank thereof. The Croatian National Bank shall annul or revoke authorisation of a branch of a third-country credit institution to provide such service within the territory of the Republic of Croatia.
- (5) The Croatian National Bank may order a branch of a third-country credit institution whose assets and contingent liabilities reported in its audited annual financial statements exceed 5% of total assets and contingent liabilities of all credit institutions in the Republic of Croatia to continue its operation in the Republic of Croatia as a credit institution.
- (6) A third-country credit institution (founder) may apply for removal of a branch of the third-country credit institution from the register of companies only upon settlement of all obligations arising from the operation of the branch.

*Application of other provisions of this Act to branches of third-country credit institutions*

Article 92

(1) The provisions of this Act and regulations adopted under this Act and the provisions of Regulation (EU) No 575/2013 relating to the following shall apply *mutatis mutandis* to branches of third-country credit institutions:

- 1) the credit institution's management board (Articles 36 to 44);
- 2) governance arrangements (Articles 98 to 100);
- 3) risk management system (Articles 101 to 103);
- 4) internal control systems (Articles 104 to 108);
- 5) outsourcing (Articles 109 to 111);
- 6) capital adequacy (Articles 112 to 115);
- 7) capital buffers and capital conservation measures (Articles 116 to 144);
- 7a) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);

- 8) approvals for exposures (Articles 145 to 147);
  - 9) specific conditions for holdings of tangible assets and capital of other legal persons (Articles 148 and 149);
  - 10) sale of placements (Article 150);
  - 11) reporting to the Croatian National Bank (Articles 151 to 154);
  - 12) banking secrecy (Articles 156 to 158);
  - 13) business books and financial statements (Articles 159 to 164);
  - 14) public disclosure (Articles 165 to 167);
  - 15) external audit (Articles 168 to 174);
  - 16) supervision of credit institutions (Articles 175 to 190 and Articles 199 and 200);
  - 17) supervisory measures (Articles 217 to 234);
  - 18) dissolution and reorganisation (Articles 246, 247 and 248);
  - 19) consumer protection (Articles 300 to 312);
  - 19a) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5))
  - 20) the decision-making procedures of the Croatian National Bank (Articles 322 to 328);
  - 21) procedure for imposing administrative sanctions (Articles 359a to 359r); and
  - 22) misdemeanours and breaches of regulations (Articles 360 to 367).
- (2) The provisions of Regulation (EU) No 575/2013 and regulations adopted under that Regulation shall apply *mutatis mutandis* to branches of third-country credit institutions.
- (3) The Croatian National Bank shall adopt subordinate legislation to further regulate the provisions on the establishment, operation, reporting to the Croatian National Bank, and dissolution of branches of third-country credit institutions together with the manner of application of the provisions of paragraph (1) of this Article to branches of third-country credit institutions.

### *Insurance of deposits with branches of third-country credit institutions*

#### Article 93

- (1) A third-country credit institution (founder) shall be required to insure deposits with its branches operating within the territory of the Republic of Croatia in its home country.
- (2) The scope and level of coverage for deposits with branches of third-country credit institutions shall not exceed the scope and level laid down in deposit insurance regulations in the Republic of Croatia.
- (3) Where there is no deposit insurance scheme in the country where the credit institution has its head office or if the scope and/or level of coverage for deposits are lower than in the Republic of Croatia, a branch of a third-country credit institution shall join the deposit insurance scheme in the Republic of Croatia.

### **III.4.3 Representative offices of third-country credit institutions**

*Authorisation to establish a representative office of a third-country credit institution*

Article 94

(1) Before establishing a representative office in the Republic of Croatia, a third-country credit institution shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a representative office of a third-country credit institution').

(2) The following shall be enclosed with the application for authorisation referred to in paragraph (1) of this Article:

1) a certificate from the register of companies or other relevant register where the credit institution is entered, not older than three months, indicating its legal form, date of the entry in the register, persons authorised to represent it and the scope of their powers or, if the credit institution is established in a country that does not keep such a register, legally valid documents on establishment certified in accordance with the regulations of the country where the credit institution has its head office, indicating its legal form, date of establishment, persons authorised to represent it and the scope of their powers;

2) a copy of the deed of establishment, memorandum or Articles of Association of the third-country credit institution, certified in accordance with the regulations of the country where the credit institution has its head office;

3) audit report, including audited financial statements, of the third-country credit institution for the three preceding years of business;

4) the decision of the third-country credit institution to establish a representative office;

5) data on the headquarters (address) of the representative office and its business premises;

6) authorisation by the competent authority of the third-country credit institution to establish a representative office in the Republic of Croatia or a statement by the authority in question that such authorisation is not required;

7) a certified statement by the third-country credit institution that it will settle all liabilities arising in the Republic of Croatia as a result of the activities of the representative office;

8) evidence of payment of all administrative fees; and

9) a list of persons responsible for directing the business of the representative office.

(3) The Croatian National Bank shall refuse an application to establish a representative office of a third-country credit institution within 60 days of receipt of the valid application if it establishes that:

1) cooperation between the competent authority of the third-country credit institution and the Croatian National Bank is not possible; and

2) there is reasonable doubt that the third-country credit institution is, in any way whatsoever, connected with money laundering or terrorist financing.

(4) After the date of enforceability of authorisation to establish a representative office a third-country credit institution, the Croatian National Bank shall enter the representative office in the register of representative offices of credit institutions in the Republic of Croatia.

(5) Where a representative office of a third-country credit institution acts contrary to the regulations of the Republic of Croatia, the Croatian National Bank may revoke authorisation to establish a representative office of the third-country credit institution.

(6) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions for the establishment and operation of representative offices of third-country credit institutions.

*Register of representative offices of credit institutions in the Republic of Croatia*

Article 95

(1) The Croatian National Bank shall keep the register of representative offices of credit institutions in the Republic of Croatia.

(2) The Croatian National Bank may prescribe the manner in which the register of representative offices of credit institutions is to be kept and the manner in which data from the register is to be published.

**IV SCOPE OF APPLICATION OF PRUDENTIAL REQUIREMENTS**

*Compliance with requirements on an individual basis*

Article 96

(1) Credit institutions with head offices in the Republic of Croatia shall comply with the following requirements on an individual basis:

- 1) governance arrangements referred to in Article 101 of this Act;
- 2) capital adequacy referred to in Article 112 of this Act and strategies and procedures to assess the adequacy of internal capital referred to in Article 113 of this Act;
- 3) a capital conservation buffer referred to in Article 117 of this Act;
- 4) a countercyclical capital buffer referred to in Article 118 of this Act;
- 5) a structural systemic risk buffer referred to in Article 130 of this Act, in the manner referred to in Article 139 of this Act;
- 6) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act;
- 7) holdings of tangible assets referred to in Article 148 of this Act; and
- 8) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank.

(2) By way of derogation from paragraph (1), item (2) of this Article, a credit institution which is included in a group of credit institutions in the Republic of Croatia need not meet these requirements on an individual basis, provided that in the Republic of Croatia it has a status of:

- 1) a parent credit institution; or
- 2) a credit institution which is a subsidiary of a parent credit institution with a head office in the Republic of Croatia, a parent financial holding company in a group of credit institutions in the Republic of Croatia or a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia.

(3) The obligation referred to in paragraph (1), item (2) of this Article shall also apply to a credit institution that is under Article 19 of Regulation (EU) No 575/2013 excluded from a group of credit institutions in the RC.

*Compliance with requirements on a consolidated basis*

Article 97

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall respectively comply with the following requirements on a consolidated basis for its group of credit institutions in the RC:

- 1) governance arrangements referred to in Article 101 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;
- 2) capital adequacy referred to in Article 112 of this Act and strategies and procedures to assess the adequacy of internal capital referred to in Article 113 of this Act, in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No 575/2013;
- 3) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank
- 4) a capital conservation buffer referred to in Article 117 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;
- 5) a countercyclical capital buffer referred to in Article 118 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;
- 6) a structural systemic risk buffer referred to in Article 130 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act;
- 7) an O-SII buffer referred to in Article 135 of this Act, in the manner referred to in Article 139 of this Act;
- 8) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act; and
- 9) holdings of tangible assets referred to in Article 148 of this Act;

(2) A parent credit institution shall comply with the following requirements on a sub-consolidated basis for its group of credit institutions in the RC:

- 1) governance arrangements referred to in Article 101 of this Act;
- 2) a structural systemic risk buffer referred to in Article 130 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act; and
- 3) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act;

(3) Where a subsidiary credit institution, a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia or a parent financial holding company in a group of credit institutions in the Republic of Croatia is a parent of or holds a participation in another credit or financial institution, an UCITS management company or a pension company with a head office in a third country, it shall comply with the requirements referred to in paragraph (1), item (2) of this Article on a sub-consolidated basis.

(4) A parent credit institution in a group of credit institutions in the Republic of Croatia, a parent financial holding company referred to in Article 278 of this Act and a parent mixed financial holding company referred to in Article 278 of this Act, and their subsidiary undertakings in a group of credit institutions in the Republic of Croatia shall comply with the requirements on governance arrangements referred to in Article 101 of this Act on a consolidated or sub-consolidated basis, in order to ensure that the organisational structure, procedures and systems within the group of credit institutions are consistent and well-integrated and enable the collection of any data and information relevant for the purposes of supervision.

(5) A parent credit institution in a group of credit institutions in the RC, a parent financial holding company referred to in Article 278 of this Act and a parent mixed financial holding company referred to in Article 278 of this Act, and their subsidiary undertakings in a group of credit institutions in the RC shall ensure that the organisational structure, procedures and systems within the group of credit institutions referred to in paragraph (2) of this Article are consistent and well-integrated in their subsidiaries that are not subject to this Act, including those established in offshore financial centres so as to enable these subsidiaries to collect any data and information relevant for the purposes of supervision. Subsidiary undertakings that are not themselves subject to this Act shall comply with their sector-specific requirements on an individual basis.

(6) By way of derogation from paragraph (5) of this Article, obligations under Article 101 of this Act, in the part related to third-country subsidiaries, shall not apply to a parent credit institution in a group of credit institutions in the RC, a parent financial holding company referred to in Article 278 of this Act and a parent mixed financial holding company referred to in Article 278 of this Act, and their subsidiary undertakings in a group of credit institutions in the RC if they can demonstrate to the Croatian National Bank that the application of these requirements would be unlawful under the laws of the third country where the subsidiary is established.

### *Remuneration policies on a consolidated basis*

#### Article 97a

(1) By way of derogation from Article 97 of this Act, an RC parent credit institution or an EU parent credit institution having its head office in the RC shall not be required to apply on a consolidated basis the requirements referred to in Articles 100, 100a and 100b, and Article 50, paragraphs (1) and (2) of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted under Article 100, paragraph (4) of this Act to either of the following:

1) subsidiary undertakings established in the Republic of Croatia or another Member State where they are subject to specific remuneration requirements in accordance with other European Union legal acts;

2) subsidiary undertakings established in a third country where they would be subject to specific remuneration requirements in accordance with other European Union legal acts if they were established in the European Union.

(2) Notwithstanding paragraphs (1) and (3) of this Article, an RC parent credit institution and an EU parent credit institution having its head office in the RC shall be required to apply to those subsidiary undertakings the provisions on the ratio between the variable and fixed components of the total remuneration referred to in Article 100a of this Act on a consolidated basis.

(3) By way of derogation from Article 1 of this Act, an RC parent credit institution or an EU parent credit institution having its head office in the RC shall ensure that the requirements referred to in Articles 100, 100a and 100b, and Article 50, paragraphs (1) and (2) of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted under Article 100, paragraph (4) of this Act apply on an individual basis to staff members of subsidiaries that are not subject to this Act where the following conditions are met:

- 1) the subsidiary is either an asset management company, or
- 2) the subsidiary is an undertaking that provides the following investment services and activities:
  - execution of orders on behalf of clients;
  - dealing on own account;
  - portfolio management;
  - underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
  - placing of financial instruments without a firm commitment basis; and
- 3) those staff members of subsidiaries perform professional activities that have a direct material impact on the risk profile or the business of the institutions within the group.

### *Scope of application of SREP and supervisory measures*

#### Article 97b

The Croatian National Bank shall apply the review and evaluation process referred to in Title XVI of this Act and the supervisory measures referred to in Title XVIII of this Act in accordance with the level of application of the requirements referred to in Regulation (EU) No 575/2013, specified in Part One, Title II of that Regulation.

## **V GOVERNANCE ARRANGEMENTS**

### **V.1 GENERAL PROVISIONS**

#### *Liquidity principle and solvency principle*

#### Article 98

A credit institution shall operate so as to be able to meet its due and payable financial obligations at all times (liquidity principle) as well as to meet all of its obligations on an ongoing basis (solvency principle).

#### *Prohibition on profit distribution*

#### Article 99

(1) A credit institution shall not make advance profit or dividend payments, pay out profits or dividends or make payments deriving from the participation of its management board, supervisory board or employees in the profits of the credit institution in the following cases:



- 1) where the credit institution's own funds are below the initial capital referred to in Article 19 of this Act;
  - 2) where the credit institution fails to settle its due obligations in a timely manner or where payment of profit would render it unable to settle its due obligations;
  - 3) where the Croatian National Bank orders the credit institution to eliminate weaknesses and deficiencies related to the misstatement of any on- and off-balance sheet items whose correct statement would affect the presentation of business results in the credit institution's profit and loss account; or
  - 4) where the Croatian National Bank so orders in its decision in the light of the manner in which the credit institution manages the risks to which it is or might be exposed in its operation.
- (2) The prohibitions referred to in paragraph (1) of this Article shall apply:
- 1) in cases referred to in paragraph (1), item (1) of this Article, until the credit institution reaches the adequate capital level;
  - 2) in cases referred to in paragraph (1), item (2) of this Article, until the credit institution eliminates liquidity disruptions;
  - 3) in cases referred to in paragraph (1), item (3) of this Article, until the credit institution eliminates all weaknesses and deficiencies in the presentation of items, unless correct presentation gives rise to reasons for the prohibition referred to in paragraph (1), items (1) and (2) of this Article; and
  - 4) in cases referred to in paragraph (1), item (4) of this Article, for the duration of the time limits or until the credit institution complies with the measures laid down in the decision.

### *Remuneration policies*

#### Article 100

- (1) A credit institution shall establish and implement remuneration policies proportionally to its size, internal organisation and the nature, scope and complexity of its activities.
- (2) The provisions on deferral of variable remuneration, award of variable remuneration in instruments and retention and payout of discretionary pension benefits in the form of instruments referred to in the subordinate legislation adopted under paragraph (4) of this Article shall not apply to:
  - 1) a credit institution which is not a large credit institution;
  - 2) small remuneration of credit institution's staff members.
- (3) A credit institution that contracts the payment of variable remuneration contrary to the provisions of this Act or the provisions of the subordinate legislation adopted under paragraph (4) of this Article may not pay the contracted variable remuneration and such contractual provisions shall be null and void.
- (4) The Croatian National Bank shall adopt subordinate legislation to further regulate the rules, procedures and criteria regarding remuneration policies, and in particular:
  - the definition and type of staff remuneration;
  - the criteria for the determination of identified staff;

- requirements regarding staff remuneration and the method and scope of their implementation; and
- the method of and time limits for reporting to the Croatian National Bank on staff remuneration.

*Ratio between the variable and fixed components of total remuneration*

Article 100a

(1) Credit institutions shall set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component.

(2) By way of derogation from paragraph (1) of this Article, credit institutions may set the amount of the variable component of total remuneration at double the amount of a staff member's fixed component of total remuneration provided that all of the following conditions are met:

1) at the credit institution's general assembly, a decision has been adopted to approve the amount of variable remuneration based on a management board's proposal, which comprises the rationale for such decision, the number of staff members to which the decision relates and their functions as well as the expected impact of the decision on the maintenance of an adequate level of capital;

2) the decision referred to in item (1) of this paragraph has been adopted by the votes accounting for at least three quarters of the initial capital represented at the general assembly;

3) staff members for which a higher ratio of the variable to fixed component is requested have not participated in the voting on the decision referred to in item (1) of this paragraph;

4) the credit institution has notified all shareholders in advance that a decision on the higher ratio of the variable to fixed component is to be proposed at the general assembly;

5) the credit institution has notified the Croatian National Bank within 30 days prior to the general assembly that a decision on the higher ratio of the variable to fixed component is to be proposed at the general assembly. In the notification, the credit institution shall:

a) state the requested ratio between variable and fixed components;

b) explain this ratio; and

c) demonstrate that the requested ratio would not exert a negative impact on the fulfilment of the credit institution's obligations under Regulation (EU) No 575/2013, this Act and subordinate legislation adopted under this Act, in particular on the maintenance of an adequate level of own funds.

(3) Credit institutions shall, within five working days after the date the general assembly was held, notify the Croatian National Bank of the decision adopted at the general assembly regarding the approval of:

1) a higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio; and

2) different higher ratios between variable and fixed components, if different higher ratios are applied to different business units, control and other functions and different categories of identified staff, including the specification of different higher ratios.

(4) Credit institutions shall, within the deadline referred to in paragraph (3) of this Article, submit to the Croatian National Bank the following information:

- 1) total number of staff (at the end of the last financial year);
- 2) number of identified staff (outcome of the last identification process);
- 3) balance sheet total (at the end of the last financial year);
- 4) decision taken by the general assembly of the credit institution;
- 5) ratio decided; and
- 6) where different ratios within the credit institution were approved, the business areas and approved percentages and the maximum approved ratio.

(5) If a decision has been adopted at the credit institution's general assembly to approve the reduction of the previously determined higher maximum ratio between the variable and fixed components of total remuneration, such a decision shall be adopted by a majority of votes present at the general assembly. The credit institution shall notify the Croatian National Bank thereof within five working days after the date the general assembly was held.

*Restrictions on the types and designs of instruments in which variable remuneration may be awarded*

#### Article 100b

To award variable remuneration, credit institutions may use the types of instruments in the form of ordinary shares of a credit institution which is their direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is their direct or indirect parent, only if the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself.

## V.2 GOVERNANCE ARRANGEMENTS

### *Governance arrangements*

#### Article 101

(1) A credit institution shall establish and implement effective and sound governance arrangements that are proportionate to the nature, scale and complexity of its activities and the risks inherent in its business model, including:

- 1) a clear organisational structure with well-defined, transparent and consistent lines of responsibility and accountability within the credit institution, established so as to avoid conflicts of interest;
- 2) effective management of all risks to which the credit institution is or might be exposed in its operation;
- 3) adequate internal control systems, including sound administrative and accounting procedures;
- 4) remuneration policies that are consistent with and promote sound and effective risk management and are gender neutral;
- 5) recovery plan; and

6) appropriate network and information systems that are set up and managed in accordance with Regulation (EU) 2022/2554.

(2) The Croatian National Bank may adopt subordinate legislation to further specify the requirements on governance arrangements, in particular:

1) regarding risk management rules:

- general risk management rules;
- credit risk management rules;
- rules for the management of market risks;
- rules on the management of the interest rate risk arising from non-trading book activities;
- the method of calculating liquidity positions and liquidity risk management rules;
- operational risk management rules;
- rules on information system management and management of risks arising from the use of the information system;
- rules for the management of other risks;

2) regarding monitoring of credit risk-bearing portfolios:

- the criteria for the classification of placements and off-balance sheet liabilities on the basis of which a credit institution is exposed to credit risk;
- the method of determining losses arising from credit risk;
- the method of determining value adjustments, impairment of on-balance sheet items and provisions for off-balance sheet items;
- rating of instruments of collateral for receivables; and
- keeping of credit records;

3) regarding the calculation of large exposures, defining the criteria for links;

4) provisions for litigation costs and legal risk;

5) regarding limits on holdings of tangible assets:

- the method of assessing and including individual holdings in the calculation of limits on holdings of tangible assets;
- the method of calculating limits on holdings;
- the method of and time limits for reporting to the Croatian National Bank;

6) regarding reporting to the Croatian National Bank:

- contents of reports and notifications;
- time limits for and the method of reporting;

7) the method and scope of application of the requirements related to recovery plans and the content of such plans and the method of and time limits for their submission.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the allocation of reserves for general banking risks, the method of calculating individual and all open positions and of the largest permitted difference between these positions, and limits determining special conditions for the operation of credit institutions.

## V.2.1 ORGANISATIONAL STRUCTURE

### *Organisational structure*

#### Article 102

(1) A credit institution has established a clear organisational structure with well-defined, transparent and consistent lines of responsibility and accountability within the credit institution, established so as to avoid conflicts of interest where it:

1) enables an effective communication and cooperation at all organisational levels, including an appropriate information flow within the credit institution;

2) limits and prevents conflicts of interest; and

3) provides for a transparent and documented decision-making process.

(2) A credit institution shall in a timely manner identify the areas of operation which may give rise to potential conflicts of interest and it shall ensure that any form of conflict of interest is adequately prevented.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements related to the organisational structure.

## V.2.2 RISK MANAGEMENT

### *Risk management*

#### Article 103

(1) For the purposes of this Act, 'risk management' means a set of procedures and methods to identify, measure, evaluate, contain and monitor risks, including reporting on the risks to which a credit institution is or might be exposed in its operation.

(2) The risk management system of a credit institution shall cover credit risk, concentration risk, securitisation risks, residual risk, market risks, operational risk, liquidity risk, interest rate risk in the non-trading book, risk of excessive leverage and other risks to which the credit institution is or might be exposed in its operation.

(3) A credit institution shall ensure that adequate resources are allocated to the management of all material risks, including an adequate number of employees possessing the necessary knowledge and experience to be involved in risk management, and for the valuation of assets, the use of external credit ratings and internal models related to those risks.

(4) A credit institution shall establish adequate reporting lines to the management and supervisory board that cover all material risks and risk management policies and changes thereof.

(5) In order to consistently apply risk management strategies and policies, a credit institution shall establish and apply consistently over time adequate internal control systems, including sound administrative, accounting and other procedures, in particular for:

1) calculating and monitoring capital requirements in relation to these risks; and

2) identifying and monitoring large exposures and subsequent changes to them, and for that of monitoring those exposures in the light of each credit institution's own exposure policies.

(6) A credit institution shall consistently implement internal systems, use the standardised methodology or the simplified standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

(7) The standardised methodology or the simplified standardised methodology shall be determined by a regulatory technical standard adopted by the European Commission.

(8) A credit institution shall implement internal systems to assess and monitor the risks arising from potential changes in credit spreads that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

### V.2.3 INTERNAL CONTROL SYSTEM

#### *Internal control system*

##### Article 104

(1) 'Internal control system' means a group of processes and procedures established for adequate risk control, monitoring the efficiency and effectiveness of a credit institution's operation, reliability of its financial and other information, and compliance with regulations, internal bylaws, standards and codes in order to ensure the stability of the credit institution's operation.

(2) A credit institution shall establish and implement effective internal control systems in all areas of operation including at a minimum:

- 1) an appropriate organisational structure;
- 2) organisational culture;
- 3) establishment of the credit institution's control functions;
- 4) adequate control activities and the allocation of responsibilities;
- 5) appropriate internal controls integrated into the business processes and activities of the credit institution; and
- 6) appropriate administrative and accounting procedures.

#### *Control functions*

##### Article 105

(1) A credit institution shall establish three control functions:

- 1) a risk control function,
- 2) a compliance function, and
- 3) an internal audit function.

(2) The management board of a credit institution shall adopt an internal bylaw on each control function, subject to the prior approval of the supervisory board.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the content of an internal bylaw on each control function, the criteria to be met by the persons carrying out control function activities, the content and frequency of control function reports, the persons to whom such reports are delivered, the scope and method of operation of each individual function referred to in paragraph (1) of this Article, as well as the method in which

a credit institution's management board reviews the appropriateness and effectiveness of the control functions in accordance with Article 41, paragraph (5) of this Act.

### *Organisational structure of control functions*

#### Article 106

- (1) A credit institution shall establish permanent and effective control functions independent from the business processes and activities in which a risk occurs or which are monitored and overseen by control functions, proportionally to its size and the nature, scale and complexity of its activities in accordance with its risk profile.
- (2) No individual control function may be organised within other control functions.
- (3) By way of derogation from paragraph (2) of this Article, a credit institution may organise the performance of activities of the compliance function within the risk control function or a support function if this is appropriate to its size and the nature, scale and complexity of its activities, but activities of this function may not be organised within the internal audit function.
- (4) A credit institution shall organise an internal audit function as a separate organisational unit, functionally and organisationally independent both from the activities it audits and from other organisational units of the credit institution.
- (5) A credit institution shall organise its control functions in a manner to cover all material risks to which the credit institution is or might be exposed in its operation.
- (6) A credit institution shall establish control functions in a manner to avoid conflicts of interest.
- (7) A credit institution may not fully outsource its control functions. A credit institution may entrust the performance of a part of activities related to the control functions to service providers in accordance with this Title and regulations adopted under this Act.

### *Persons carrying out control functions*

#### Article 107

- (1) A credit institution shall, proportionally to its size and the nature, scale and complexity of its activities, for the carrying out of each control function ensure a sufficient number of persons with adequate knowledge and experience.
- (2) Where several persons are entrusted with the performance of a certain control function, a person responsible for the operation of the control function as a whole shall be appointed.
- (3) A credit institution's management board may neither appoint nor remove a person responsible for the operation of a control function without approval of the credit institution's supervisory board.
- (4) A credit institution shall notify the Croatian National Bank without delay, and at the latest within three working days, of the appointment of persons responsible for the operation of each control function and of the reasons for their removal.
- (5) A person responsible for the operation of a control function shall report directly to the management board and the supervisory board, as well as the audit committee, and/or another relevant committee established by the supervisory board. Authorities and bodies to which the person responsible for the operation of a control function reports directly shall ensure that this



person participates in the meetings of these authorities and bodies at which the person's reports are discussed, and on an annual basis at a minimum.

(6) Credit institutions shall provide regular professional education and training for persons carrying out control function activities.

*Notification to the credit institution's management and supervisory board and the Croatian National Bank*

Article 108

Where a person responsible for the operation of a control function, in carrying out his/her activities, identifies illegalities in the operation or violations of risk management rules or risk developments that jeopardise the liquidity, solvency or safety of the credit institution's operation, he/she shall immediately notify the credit institution's management and supervisory board, and the Croatian National Bank.

V.2.4 OUTSOURCING

*Definition of outsourcing and register of outsourcing arrangements*

Article 109

(1) 'Outsourcing' means an arrangement of any form between a credit institution and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the credit institution itself.

(2) Credit institutions shall maintain an updated register of information on all outsourcing arrangements.

*Conditions for outsourcing*

Article 110

(1) A credit institution shall establish an adequate system of managing risks related to outsourcing.

(2) A credit institution shall ensure that outsourcing does not impair:

- 1) its regular operation;
- 2) its effective risk management;
- 3) its internal control systems; and
- 4) supervision by the Croatian National Bank.

(3) A credit institution which intends to outsource a critical or important process, service or activity shall notify the Croatian National Bank thereof and submit the prescribed documentation.

*Croatian National Bank regulations relating to outsourcing*

Article 111

The Croatian National Bank shall adopt subordinate legislation to further regulate:

- 1) the term 'critical or important process, service or activity';
- 2) processes, services or activities that are not considered outsourcing in accordance with Article 109, paragraph (1) of this Act;
- 3) detailed conditions for outsourcing;
- 4) content of information, form and maintenance of the register of outsourcing arrangements;
- 5) the content of documentation to be enclosed with and time limits for delivery of the notification referred to in Article 110, paragraph (3) of this Act.

## **VI CAPITAL ADEQUACY**

### *Capital adequacy*

#### Article 112

A credit institution shall at all times ensure an amount of capital that is proportionate to the nature, scale and complexity of its activities as well as the risks to which it is or might be exposed to while providing services.

### *Strategies and procedures to assess the adequacy of internal capital*

#### Article 113

- (1) Credit institutions shall have in place and implement sound, effective and comprehensive strategies and procedures to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital.
- (2) 'Internal capital' means the capital that credit institutions consider adequate to cover the nature and level of the risks to which they are or might be exposed in its operation.
- (3) Credit institutions shall regularly review the strategies and procedures referred to in paragraph (1) of this Article to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities they carry out.
- (4) The Croatian National Bank shall adopt subordinate legislation to further regulate the assessment procedures, the method of and time limits for reporting to the Croatian National Bank on the adequacy of a credit institution's internal capital and the internal capital calculation on an individual and consolidated basis.

### *Permissions of the Croatian National Bank*

#### Article 114

- (1) If notification of a planned change in an internal model is not required under Regulation (EU) No 575/2013 or regulations adopted under that Regulation, a credit institution shall immediately notify the Croatian National Bank of the planned change in the internal model for which it was granted permission.
- (2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall assess whether the planned change requires amendments to the permission on the basis of the documentation delivered and any other available information.

(3) If notification of non-compliance with requirements is not required under Regulation (EU) No 575/2013 or regulations adopted under that Regulation, a credit institution shall immediately notify the Croatian National Bank if it ceases to comply with the requirements for obtaining the permission and shall enclose:

1) evidence that the effect of non-compliance is immaterial; or

2) a plan for ensuring compliance with the requirements for obtaining the permission.

(4) A credit institution may classify capital instruments referred to in Articles 52 and 63 of Regulation (EU) No 575/2013 as additional tier 1 capital instruments or tier 2 capital instruments after it obtains the permission to classify capital instruments as additional tier 1 capital instruments or tier 2 capital instruments.

(5) The Croatian National Bank shall grant the permission referred to in paragraph (4) of this Article if the capital instrument meets the prescribed requirements.

(6) The Croatian National Bank shall adopt subordinate legislation to lay down the documentation to be delivered by the credit institution together with the application for the permission referred to in paragraph (4) of this Article and the application for the permission referred to in Article 26, paragraph (3) of Regulation (EU) No 575/2013.

### *Internal approaches for calculating own funds requirements*

#### Article 115

(1) Credit institutions that are not small and non-complex credit institutions shall, without prejudice to the fulfilment of the criteria laid down in Part Three, Title I, Chapter 3, Section 1 of Regulation (EU) No 575/2013, take appropriate measures to develop internal credit risk assessment capacity and to use the internal ratings based approach for calculating own funds requirements for credit risk:

a) where their exposures are material in absolute terms, and

b) where they have at the same time a large number of material counterparties.

(2) Credit institutions that are not small and non-complex credit institutions shall, without prejudice to the fulfilment of the criteria laid down in Part Three, Title IV, Chapter 5, Sections 1 to 5 of Regulation (EU) No 575/2013, take appropriate measures to develop internal specific risk assessment capacity and to develop and use internal models for calculating own funds requirements for specific risk of debt instruments in the trading book, together with internal models to calculate own funds requirements for default and migration risk:

a) where their exposures are material in absolute terms, and

b) where they have a large number of material positions in debt instruments of different issuers.

(3) Credit institutions that are not small and non-complex credit institutions shall not solely rely on external credit ratings for assessing the creditworthiness of a client or financial instrument.

### *Restriction on disposal of common equity tier 1 capital*

#### Article 115a

(1) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

any of the requirements referred to in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;

– the additional own funds requirements imposed by the Croatian National Bank pursuant to Article 228 of this Act to address risks other than the risk of excessive leverage; and

– the guidance communicated to them by the Croatian National Bank in accordance with Article 228a of this Act to address risks other than the risk of excessive leverage.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet one of the elements of its combined buffer requirement to meet the other applicable elements of its combined buffer requirement.

(3) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

– the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013;

– the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013;

– the minimum requirement for own funds and eligible liabilities imposed pursuant to Article 26 of the Act on the Resolution of Credit Institutions and Investment Firms; or

– the minimum requirement for own funds and eligible liabilities for resolution entities that are part of G-SIIs and Union material subsidiaries of non-EU G-SIIs.

## **VII CAPITAL BUFFERS**

### Article 116

*Deleted.*

## **VII.1 CAPITAL CONSERVATION BUFFER**

### *Capital conservation buffer*

#### Article 117

(1) Credit institutions shall, in addition to common equity tier 1 capital maintained to meet all the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013, maintain a capital conservation buffer of common equity tier 1 capital equal to 2.5% of the total risk exposure amount calculated in accordance with Article 92, paragraph (3) of that Regulation on an individual and consolidated basis, as applicable in accordance with Title II of Part One of that Regulation.

(2) Where a credit institution fails to meet the requirement under paragraph (1) of this Article, it shall apply the provisions of Article 140, paragraphs (2), (3) and (5), Article 143 and, where appropriate, Article 143a of this Act.

## **VII.2 COUNTERCYCLICAL CAPITAL BUFFER**

### *General provisions*

#### Article 118

(1) Credit institutions shall maintain an institution-specific countercyclical capital buffer of common equity tier 1 capital equivalent to their total risk exposure amount multiplied by the specific countercyclical buffer rate referred to in Article 126 of this Act.

(2) Where a credit institution fails to meet the requirement under paragraph (1) of this Article, it shall apply the provisions of Article 140, paragraphs (2), (3) and (5), Article 143 and, where appropriate, Article 143a of this Act.

### *Setting the countercyclical buffer rate for the Republic of Croatia*

#### Article 119

(1) The Croatian National Bank shall be the designated authority responsible for setting the countercyclical buffer rate for the Republic of Croatia, i.e. the designated authority for the purposes of Article 136, paragraph (1) of Directive 2013/36/EU.

(2) The Croatian National Bank shall calculate for every quarter a buffer guide as a reference to guide its exercise of judgement in setting the countercyclical buffer rate in accordance with paragraph (3) of this Article.

(3) The buffer guide referred to in paragraph (2) of this Article shall reflect, in a meaningful way, the credit cycle and the risks due to excess credit growth in the Republic of Croatia and shall duly take into account specificities of the Croatian economy. The buffer guide shall be based on the deviation of the ratio of credit-to-GDP from its long-term trend, taking into account, inter alia:

1) an indicator of growth of levels of credit within the Republic of Croatia and, in particular, an indicator reflective of the changes in the ratio of credit granted in the Republic of Croatia to GDP;

2) any current guidance maintained by the European Systemic Risk Board on the measurement and calculation of the deviation from long term trends of ratios of credit-to-GDP and the calculation of buffer guides in accordance with Article 135, paragraph (1), item (b) of Directive 2013/36/EU.

(4) The Croatian National Bank shall assess the intensity of cyclical systemic risk and the appropriateness of the countercyclical buffer rate for the Republic of Croatia on a quarterly basis, set or adjust the countercyclical buffer rate, if necessary, and adopt relevant subordinate legislation taking into account:

– the buffer guide referred to in paragraphs (2) and (3) of this Article;

– any current guidance maintained by the European Systemic Risk Board on the recognition and setting of the countercyclical buffer rate and any recommendations issued by that board on the setting of the countercyclical buffer rate; and

– other variables that the Croatian National Bank considers relevant for addressing cyclical systemic risk.

(5) The decision referred to in paragraph (4) of this Article shall contain the countercyclical buffer rate and the date from which it shall be applied.

### *Level of the countercyclical buffer rate*

#### Article 120

(1) The Croatian National Bank shall set the countercyclical buffer rate, expressed as a percentage of the total risk exposure amount, between 0% and 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount where this is justified on the basis of the assessment referred to in Article 119, paragraph (4) of this Act. This rate shall be applied for the calculation of the institution-specific countercyclical buffer rate in accordance with Article 126 of this Act.

### *The beginning of the application or increasing a countercyclical buffer rate*

#### Article 121

(1) Where the Croatian National Bank sets the countercyclical buffer rate above 0% for the first time, or where, thereafter, it increases the prevailing countercyclical buffer rate setting, it shall also decide the date from which that increased buffer must be applied for the purposes of calculating a countercyclical capital buffer.

(2) The date referred to in paragraph (1) of this Article shall be no later than 12 months after the announcement referred to in Article 123 of this Act.

(3) By way of derogation from paragraph (2) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date less than 12 months after the increased buffer setting is announced in accordance with Article 123 of this Act.

### *Reduction or cancellation of the applied countercyclical buffer rate*

#### Article 122

(1) If the Croatian National Bank reduces the existing countercyclical buffer rate or sets it at 0%, in the announcement referred to in Article 123 of this Act, it shall also determine an indicative period during which no increase in the buffer is expected.

(2) The indicative period referred to in paragraph (1) of this Article shall not bind the Croatian National Bank.

### *Announcement of the countercyclical buffer rate for the Republic of Croatia*

#### Article 123

(1) The Croatian National Bank shall publish the decision referred to in Article 119, paragraph (4) of this Act in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the applicable countercyclical buffer rate;

2) the relevant credit-to-GDP-ratio and its deviation from the long-term trend;

3) the buffer guide referred to in Article 119, paragraphs (2) and (3) of this Act;

4) a justification for that countercyclical buffer rate;

5) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer;

6) where the date referred to in item (5) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application; and

7) where the buffer rate is decreased, the indicative period during which no increase in the buffer rate is expected, together with a justification for that period.

(2) The Croatian National Bank shall take all reasonable steps to coordinate the timing of the announcement referred to in paragraph (1) of this Article with the timing of the announcements by designated authorities from other Member States.

(3) The Croatian National Bank shall notify each change of the countercyclical buffer rate and the information specified in paragraph (1) of this Article to the European Systemic Risk Board.

### *Recognition of the countercyclical buffer rate in excess of 2.5%*

#### Article 124

(1) Where a designated authority of another Member State or a relevant third-country authority has set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount, the Croatian National Bank may adopt a decision to recognise that buffer rate for the purposes of the calculation of the countercyclical capital buffer.

(2) Where the Croatian National Bank adopts a decision to recognise the rate referred to in paragraph (1) of this Article, it shall publish that decision in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the applicable countercyclical buffer rate;

2) the Member State or a third country to which the rate referred to in paragraph (1) of this Article applies;

3) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and

4) where the date referred to in item (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.

(3) The decision referred to in paragraph (1) of this Article shall contain the countercyclical buffer rate, the Member State or third country to which that rate applies and the date from which it shall be applied.

### *Deciding on third country countercyclical buffer rates*

#### Article 125

(1) For the purposes of the calculation of the countercyclical capital buffer for credit institutions for exposures located in third countries, the Croatian National Bank may adopt a decision on:

1) a countercyclical buffer rate for a third country where a countercyclical buffer rate has not been set and published by the relevant third-country authority for that third country; and

2) where a countercyclical buffer rate has been set and published by the relevant third-country authority for a third country, a different countercyclical buffer rate for that third country if it reasonably considers that the buffer rate set by the relevant third-country authority is not



appropriate to protect those credit institutions from the risks of excessive credit growth in that country.

(2) In the case referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall not set a countercyclical buffer rate below the level set by the relevant third-country authority unless that buffer rate exceeds 2.5%, expressed as a percentage of the total risk exposure amount.

(3) Where the Croatian National Bank sets a countercyclical buffer rate for a third country pursuant to paragraph (1) or (2) of this Article which increases the existing applicable countercyclical buffer rate set by the relevant third-country authority, the Croatian National Bank shall decide the date from which that buffer rate must be applied for the purposes of calculating the countercyclical capital buffer.

(4) The date referred to in paragraph (3) of this Article shall be 12 months from the date when the increased countercyclical buffer rate is announced in accordance with paragraph (6) of this Article.

(5) By way of derogation from paragraph (4) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date referred to in paragraph (3) of this Article at less than 12 months after the increased countercyclical buffer rate is announced in accordance with paragraph (6) of this Article.

(6) The Croatian National Bank shall publish a decision on a countercyclical buffer rate for a third country set pursuant to paragraph (1) or (2) of this Article in the Official Gazette

and announce it on its website. The announcement on the website shall include at least the following information:

1) the countercyclical buffer rate and the third country to which it applies;

2) a justification for that buffer rate;

3) where the countercyclical buffer rate is set above 0% for the first time or is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and

4) where the date referred to in item (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.

(7) The decision referred to in paragraph (6) of this Article shall contain the countercyclical buffer rate and the date from which it shall be applied.

(8) When recognising the countercyclical buffer rate referred to in Article 124 of this Act, as well as when deciding on the level of the countercyclical buffer rate referred to in this Article, the Croatian National Bank shall take into account the recommendations of the European Systemic Risk Board.

### *Calculation of an institution-specific countercyclical buffer rate*

#### Article 126

(1) A credit institution shall calculate the institution-specific countercyclical buffer rate as the weighted average of the countercyclical buffer rates that have been set and published for the Republic of Croatia, other Member States and third countries where the relevant credit

exposures of the credit institution are located or are applied in accordance with Article 125 of this Act.

(2) For the purposes of paragraph (1) of this Article, a credit institution shall provide adequate records of applicable countercyclical buffer rates for countries where its relevant credit exposures are located and establish procedures for a regular updating of these records.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the method of calculating the institution-specific countercyclical buffer rate referred to in paragraph (1) of this Article.

### *Application of the countercyclical buffer rate in excess of 2.5%*

#### Article 127

(1) If, in accordance with Article 120, paragraph (2) of this Act, the Croatian National Bank sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, credit institutions shall apply that countercyclical buffer rate to the relevant credit exposures located in the Republic of Croatia for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act.

(2) If a designated authority of another Member State sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act, credit institutions shall apply the following to the relevant credit exposures located in the Member State whose designated authority set that rate:

– a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 124 of this Act;

– a rate set by the designated authority of another Member State, if the Croatian National Bank has recognised that buffer rate in accordance with Article 124 of this Act.

(3) If a relevant third-country authority sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act, credit institutions shall apply the following to the relevant credit exposures located in the third country whose relevant authority set that rate:

– a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 124 of this Act;

– a rate set by the relevant third-country authority, if the Croatian National Bank has recognised that buffer rate in accordance with Article 124 of this Act.

(4) A credit institution shall apply the countercyclical buffer rate referred to in paragraphs (1) to (3) of this Article in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act for the purposes of the calculation of the element of consolidated capital that relates to the credit institution in question.

### *Beginning of the application of a countercyclical buffer rate in the calculation of an institution-specific countercyclical buffer rate*

#### Article 128

(1) If a countercyclical buffer rate for the Republic of Croatia and other Member States is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date specified in the published decision referred to in Article 123, paragraph (1), item (5) of this Act or in the published decision referred to in Article 124, paragraph (2), item (3) of this Act.

(2) If a countercyclical buffer rate for a third country is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act 12 months after the date on which a change in the buffer rate was announced by the relevant third-country authority, irrespective of whether that authority requires credit institutions incorporated in that third country to apply the change within a shorter period.

(3) For the purposes of paragraph (2) of this Article, a change in the countercyclical buffer rate for a third country shall be considered to be announced on the date that it is published by the relevant third-country authority in accordance with the applicable national rules.

(4) By way of derogation from paragraph (2) of this Article, where a countercyclical buffer rate is increased and where the Croatian National Bank sets the countercyclical buffer rate for a third country in accordance with Article 125, paragraphs (1) and (2) of this Act or where it recognises the countercyclical buffer rate for a third country in accordance with Article 124 of this Act, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date specified in the published decision referred to in Article 124, paragraph (2), item (3) or Article 125, paragraph (6) of this Act.

(5) Where a countercyclical buffer rate is reduced, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date of the publication of the decision to reduce that rate.

## VII.3 STRUCTURAL SYSTEMIC RISK BUFFER

### *General provisions*

#### Article 129

(1) The Croatian National Bank shall be the designated authority responsible for setting the structural systemic risk buffer for credit institutions and for identifying the exposures and subsets of credit institutions to which the structural systemic risk buffer applies.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate:

– the rates and method of maintaining the structural systemic risk buffer referred to in paragraph (1) of this Article;

– the method of applying the structural systemic risk buffer referred to in Article 131 of this Act; and

– the method of calculating the structural systemic risk buffer.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in paragraph (2) of this Article to set the rate and method of maintaining a structural systemic risk buffer for all credit institutions or for one or more subsets of credit institutions, for all exposures or a subset of exposures as referred to in Article 131, paragraph (3) of this Act, in order to prevent or mitigate structural systemic risks not covered by Regulation (EU) No 575/2013 and Titles VII.2 and VII.4 of this Act.

### *Requirement to maintain a structural systemic risk buffer*

#### Article 130

(1) Credit institutions shall be required to maintain a structural systemic risk buffer calculated and maintained in accordance with the subordinate legislation referred to in Article 129, paragraph (2) of this Act by common equity tier 1 capital, as applicable in accordance with Title II of Part One of Regulation (EU) No 575/2013, in the amount and in the manner set by the Croatian National Bank.

(2) The provisions of Article 140, paragraphs (2), (3) and (5), Article 143 and, where appropriate, Article 143a of this Act shall apply to credit institutions that fail to meet the requirements referred to in paragraph (1) of this Article. Where the application of those provisions does not lead to a satisfactory improvement of the common equity tier 1 capital of the credit institution in the light of the relevant structural systemic risk, the Croatian National Bank may take additional measures in accordance with this Act.

### *The method of setting a structural systemic risk buffer rate*

#### Article 131

(1) In the subordinate legislation referred to in Article 129, paragraph (2) of this Act, the Croatian National Bank may specify that a structural systemic risk buffer shall apply to:

- 1) all exposures located in the Republic of Croatia;
- 2) the following sectoral exposures located in the Republic of Croatia:
  - all retail exposures to natural persons which are secured by residential property;
  - all exposures to legal persons which are secured by commercial immovable property;
  - all exposures to legal persons excluding those specified in the second indent of this item;
  - all exposures to natural persons excluding those specified in the first indent of this item;
- 3) all exposures located in other Member States, in accordance with Article 132, paragraph (12) of this Act and in accordance with paragraphs (5) and (6) of this Article;
- 4) sectoral exposures, as identified in item (2) of this paragraph, located in other Member States only to enable recognition of a buffer rate set by another Member State in accordance with Article 134 of this Act;
- 5) exposures located in third countries; or
- 6) subsets of any of the exposure categories identified in item (2) of this paragraph.

(2) The Croatian National Bank shall set the structural systemic risk buffer rate as multiples of 0.5 percentage points.

(3) The Croatian National Bank may set different structural systemic risk buffer rates for different subsets of credit institutions and of exposures.

(4) When setting a structural systemic risk buffer to be maintained the Croatian National Bank shall take account that this buffer does not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the European Union as a whole forming or creating an obstacle to the functioning of the internal market.

(5) Where the Croatian National Bank decides to apply the structural systemic risk buffer to exposures of credit institutions in other Member States, the buffer shall be set equally on all exposures located within the European Union.

(6) By way of derogation from paragraph (5) of this Article, the structural systemic risk buffer rate for exposures of credit institutions in a specific Member State may be different only where the Croatian National Bank has recognised the structural systemic risk buffer rate set by that Member State in accordance with Article 134 of this Act.

(7) The Croatian National Bank shall review the structural systemic risk buffer at least every second year.

### *Procedure for setting a structural systemic risk buffer*

#### Article 132

(1) Where the structural systemic risk buffer rate or rates that the Croatian National Bank intends to set on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more rates of that buffer does not result in a combined systemic risk buffer rate higher than 3% for any of those exposures, the Croatian National Bank shall notify thereof the European Systemic Risk Board one month before the publication of the decision referred to in Article 133 of this Act.

(2) The recognition of a structural systemic risk buffer rate set by another Member State in accordance with Article 134 of this Act shall not count towards the 3% threshold referred to in paragraph (1) of this Article.

(3) Where the credit institution to which one or more structural systemic risk buffer rates apply is a subsidiary the parent of which is established in another Member State, the Croatian National Bank shall forward the notification referred to in paragraph (1) of this Article to the competent and designated authorities of that Member State.

(4) The notification referred to in paragraph (1) of this Article shall describe in detail:

1) the systemic or macroprudential risk in the Republic of Croatia;

2) the reasons why the dimension of the systemic or macroprudential risks threatens the stability of the financial system in the Republic of Croatia justifying the structural systemic risk buffer rate;

3) the justification for why the Croatian National Bank considers the proposed structural systemic risk buffer likely to be effective and proportionate to mitigate the risk;

4) an assessment of the likely positive or negative impact of the structural systemic risk buffer on the internal market, based on information which is available;

5) the structural systemic risk buffer rate or rates that the Croatian National Bank intends to impose, the exposures to which the rate or rates apply and the credit institutions to which these rates apply;

6) where the structural systemic risk buffer rate applies to all exposures, a justification of why the Croatian National Bank considers that the structural systemic risk buffer is not duplicating the functioning of the O-SII buffer.

(5) Where the decision of the Croatian National Bank to set the structural systemic risk buffer rate results in a decrease or no change from the previously set buffer rate, the Croatian National Bank shall act in accordance with paragraphs (1) to (4) of this Article.

(6) Where the Croatian National Bank intends to set a structural systemic risk buffer rate or rates on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more structural systemic risk buffers, which results in a combined structural systemic risk buffer rate at a level higher than 3% and up to 5% for any of those exposures, the Croatian National Bank shall in the notification referred to in paragraph (1) of this Article request an opinion of the European Commission.

(7) The Croatian National Bank may apply the intended structural systemic risk buffer rate if it obtained a positive opinion from the European Commission. Where the opinion of the European Commission is negative, the Croatian National Bank shall adopt a decision in compliance with that opinion or give reasons for not doing so.

(8) In the case referred to in paragraph (6) of this Article, where the credit institution to which one or more structural systemic risk buffer rates apply is a subsidiary the parent of which is established in another Member State, the Croatian National Bank shall in the notification referred to in paragraph (3) of this Article forward the recommendation of the European Commission and the European Systemic Risk Board.

(9) In the case referred to in paragraph (6) of this Article, where the relevant authorities of the other Member State responsible for subsidiaries and parent undertakings express disagreement with the proposed structural systemic risk buffer rate or rates applicable to that credit institution and where the European Commission and the European Systemic Risk Board issue a negative recommendation, the Croatian National Bank may not implement the decision on the structural systemic risk buffer, but it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010.

(10) The Croatian National Bank shall suspend the adoption of a decision on the buffer until the European Banking Authority has taken a decision referred to in paragraph (9) of this Article and shall adopt a decision accordingly.

(11) The Croatian National Bank may express disagreement when a relevant authority of another Member State notifies it of the structural systemic risk buffer referred to in paragraph (6) of this Article that applies to a subsidiary credit institution from that Member State whose parent is established in the Republic of Croatia.

(12) Where the Croatian National Bank intends to set a structural systemic risk buffer rate or rates on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more structural systemic risk buffers, which results in a combined structural systemic risk buffer rate at a level higher than 5% for any of those exposures, the Croatian National Bank shall, before adopting that decision, request the authorisation of the European Commission.

(13) The Croatian National Bank may apply the rate referred to in paragraph (12) of this Article after the European Commission authorises the implementation of that rate.

### *Announcement of a structural systemic risk buffer*

#### Article 133

(1) After setting one or more structural systemic risk buffer rates in accordance with Article 132 of this Act, the Croatian National Bank shall publish a decision on the application of the structural systemic risk buffer in the Official Gazette and announce it on its website.

(2) The publication referred to in paragraph (1) of this Article shall include at least the following information:

- 1) the structural systemic risk buffer rate;
  - 2) the credit institutions to which the structural systemic risk buffer applies;
  - 3) the exposures to which the structural systemic risk buffer rate or rates apply;
  - 4) a justification for setting the structural systemic risk buffer rate or rates, except in cases where it could jeopardise the stability of the financial system;
  - 5) the date from which the credit institutions shall apply a particular structural systemic risk buffer rate or rates; and
  - 6) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.
- (3) The decision referred to in paragraph (1) of this Article shall contain the structural systemic risk buffer rate, indication of the credit institutions to which the structural systemic risk buffer applies, the date from which it shall be applied and the names of the countries to which the structural systemic risk buffer applies.

### *Recognition of a structural systemic risk buffer rate*

#### Article 134

- (1) The Croatian National Bank may adopt a decision to recognise a structural systemic risk buffer rate set by the relevant authority of another Member State and may prescribe that this structural systemic risk buffer rate is to be applied by credit institutions for exposures located in that Member State.
- (2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall publish that decision in the Official Gazette and announce it on its website and shall notify the European Systemic Risk Board thereof.
- (3) When deciding whether to recognise a structural systemic risk buffer rate set by the relevant authority of another Member State, the Croatian National Bank shall take into consideration the information presented by that Member State setting that rate in accordance with Article 133, paragraphs (9) and (13) of Directive 2013/36/EU.
- (4) Where the Croatian National Bank, in accordance with paragraph (1) of this Article, recognises a structural systemic risk buffer rate, that structural systemic risk buffer may be cumulative with the structural systemic risk buffer applied in accordance with Articles 129 to 132 of this Act, provided that the buffers address different risks. Where the buffers address the same risks, credit institutions shall apply only the higher buffer.
- (5) If it sets a structural systemic risk buffer rate, the Croatian National Bank may ask the European Systemic Risk Board to issue a recommendation in accordance with Article 16 of Regulation (EU) 1092/2010 to one or more Member States for recognition of that buffer rate for exposures located in the Republic of Croatia.

## VII.4 BUFFERS FOR GLOBAL SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS AND OTHER SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS



## *Global systemically important credit institutions*

### Article 135

- (1) The Croatian National Bank shall identify, on a consolidated basis, global systemically important credit institutions (G-SIIs), which it has authorised.
- (2) The Croatian National Bank shall be the designated authority for identifying G-SIIs under Article 131, paragraph (1) of Directive 2013/36/EU.
- (3) G-SIIs may be any of the following:
  - 1) a group headed by an EU parent credit institution having its head office in the RC, an EU parent financial holding company having its head office in the RC, or an EU parent mixed financial holding company having its head office in the RC; or
  - 2) a credit institution that is not a subsidiary of an EU parent credit institution, of an EU parent financial holding company or of an EU parent mixed financial holding company.
- (4) Each G-SII shall, on a consolidated basis, maintain a G-SII buffer which shall correspond to the sub-category referred to in Article 136, paragraph (5) of this Act to which the G-SII is allocated. That buffer shall consist of common equity tier 1 capital.
- (5) The Croatian National Bank shall notify to the European Systemic Risk Board the names of the G-SIIs and the respective sub-category to which each G-SII is allocated and shall publicly disclose this information on its website.
- (6) The notification referred to in paragraph (5) of this Article shall contain full reasons why supervisory judgment has been exercised or not in accordance with Article 136, paragraph (10), items (1), (2) and (3) of this Act.
- (7) The Croatian National Bank shall identify a G-SII and the respective sub-category to which it is allocated by adopting a decision.

## *Identification methodology for G-SIIs*

### Article 136

- (1) The identification methodology for G-SIIs shall be based on the following categories, each of which shall receive an equal weighting and shall consist of quantifiable indicators:
  - 1) size of the group;
  - 2) interconnectedness of the group with the financial system;
  - 3) substitutability of the services or of the financial infrastructure provided by the group;
  - 4) complexity of the group;
  - 5) cross-border activity of the group, including cross-border activity between the Republic of Croatia and other Member States and between the Republic of Croatia and a third country.
- (2) An additional identification methodology for G-SIIs shall be based on the following categories:
  - 1) the categories referred to in paragraph (1), items (1) to (4) of this Article;
  - 2) cross-border activity of the group, excluding the group's activities across participating Member States as referred to in Article 4 of Regulation (EU) 806/2014 of the European Parliament and of the Council.

(3) Each category referred to in paragraph (2) of this Article shall receive an equal weighting and shall consist of quantifiable indicators. For the categories referred to in paragraph (2), item (1) of this Article, the indicators shall be the same as the corresponding indicators determined pursuant to paragraph (1) of this Article.

(4) The additional identification methodology for G-SIIs referred to in paragraph (2) of this Article shall produce an additional overall score for each assessed entity as referred to in Article 135, paragraph (3) of this Act, on the basis of which the Croatian National Bank may take one of the measures referred to in paragraph (10), item (3) of this Article.

(5) The methodology referred to in paragraphs (1) to (4) of this Article shall produce an overall score for each entity referred to in Article 135, paragraph (3) of this Act that is being assessed, which allows G-SIIs to be identified and allocated into one of at least five sub-categories as described in paragraphs (6), (7), (8) and (9) of this Article.

(6) Based on the overall scores under the identification methodology for G-SIIs, the Croatian National Bank shall determine the lowest boundary and the boundaries between each sub-category.

(7) The cut-off scores between adjacent sub-categories shall be defined clearly and shall adhere to the principle that there is a constant linear increase of systemic significance between each sub-category, resulting in a linear increase in the requirement of additional common equity tier 1 capital, with the exception of sub-category 5 and any other higher sub-category added.

(8) Systemic significance is the expected impact exerted by the G-SII's distress on the global financial market.

(9) G-SIIs shall maintain a G-SII buffer in such a way that the lowest sub-category is assigned a G-SII buffer of 1% of the total risk exposure amount and the buffer assigned to each next sub-category shall increase in gradients of at least 0.5% of the total risk exposure amount.

(10) Regardless of the provisions of Article 135 of this Act and the results of the methodology referred to in this Article, the Croatian National Bank may, in the exercise of sound supervisory judgement:

1) re-allocate a G-SII from a lower sub-category to a higher sub-category;

2) allocate an entity as referred to in Article 135, paragraph (3) of this Act that has an overall score as referred to in paragraph (5) of this Article that is lower than the cut-off score of the lowest sub-category to that sub-category or to a higher sub-category, thereby designating it as a G-SII;

3) taking into account the Single Resolution Mechanism, on the basis of the result derived in paragraph (2) of this Article, re-allocate a G-SII from a higher sub-category to a lower subcategory.

(11) The Croatian National Bank shall review annually the identification of G-SIIs and the G-SII allocation into the respective sub-categories.

(12) The Croatian National Bank shall report the result of the review referred to in paragraph (11) of this Article to the G-SII concerned and the European Systemic Risk Board and shall publicly disclose on its website the updated list of identified G-SIIs and the sub-category into which each identified G-SII is allocated.

### *Other systemically important credit institutions*

#### Article 137

(1) The Croatian National Bank shall identify, on an individual, sub-consolidated or consolidated basis, as applicable, other systemically important credit institutions (O-SIIs) in the Republic of Croatia.

(2) The Croatian National Bank shall be the designated authority for identifying O-SIIs.

(3) O-SIIs may be any of the following:

1) a group of credit institutions headed by an EU parent credit institution having its head office in the RC, an EU parent financial holding company having its head office in the RC, or an EU parent mixed financial holding company having its head office in the RC;

2) a group of credit institutions headed by an RC parent credit institution, an RC parent financial holding company, or an RC parent mixed financial holding company; or

3) a credit institution.

(4) The Croatian National Bank shall set an O-SII buffer rate, on a consolidated or sub-consolidated or individual basis, as applicable, of up to 3% of the total risk exposure amount, taking into account the criteria for the identification of the O-SII.

(5) The O-SII buffer shall consist of common equity tier 1 capital.

(6) Each O-SII shall maintain an O-SII buffer in the amount set by the Croatian National Bank taking into account paragraph (9) of this Article and Article 139 of this Act.

(7) By way of derogation from paragraph (4) of this Article, the Croatian National Bank may set an O-SII buffer higher rate than 3% of the total risk exposure amount for each O-SII, on a consolidated, sub-consolidated or individual basis, as applicable, subject to the authorisation of the European Commission.

(8) By way of derogation from paragraph (4) of this Article and Article 129 of this Act, where an O-SII is a subsidiary of either a G-SII or an O-SII which is either a credit institution or

a group headed by an EU parent institution, and subject to an O-SII buffer on a consolidated

basis, the buffer that applies on an individual or sub-consolidated basis for the O-SII shall

not exceed the lower of:

1) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount; and

2) 3% of the total risk exposure amount or the rate the European Commission has authorised to be applied to the group on a consolidated basis in accordance with paragraph (8) of this Article.

(9) The Croatian National Bank shall notify the European Systemic Risk Board of the names of the O-SIIs, the respective sub-category to which each O-SII is allocated, and the O-SII buffer rates and shall publicly disclose this information on its website.

(10) The notification referred to in paragraph (9) of this Article shall contain full reasons why supervisory judgement has been exercised or not in accordance with Article 136, paragraph (10), items (1), (2) and (3) of this Act.

(11) The Croatian National Bank shall by a decision identify O-SIIs and the buffer rate for each O-SII.

## *Identification methodology for O-SIIs*

### Article 138

(1) For the purposes of identifying O-SIIs, systemic importance shall be assessed on the basis of at least any of the following criteria:

- 1) size;
- 2) importance for the economy of the European Union or of the Republic of Croatia;
- 3) significance of cross-border activities; and
- 4) interconnectedness of the credit institution or the group with the financial system.

(2) When requiring an O-SII buffer to be maintained, the Croatian National Bank shall comply with the following:

1) the O-SII buffer must not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the European Union as a whole forming or creating an obstacle to the functioning of the internal market;

2) the O-SII buffer must be reviewed by the Croatian National Bank at least annually.

(3) Before setting or resetting an O-SII buffer, the Croatian National Bank shall notify thereof the European Systemic Risk Board one month before the publication of the decision referred to in Article 137, paragraph (4) of this Act or three months before the publication of the decision referred to in Article 137, paragraph (8) of this Act.

(4) The notification referred to in paragraph (3) of this Article shall describe in detail:

1) the justification for why the Croatian National Bank considers the proposed O-SII buffer likely to be effective and proportionate to mitigate the risk;

2) an assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on information which is available;

3) the O-SII buffer rate that the Croatian National Bank intends to prescribe.

(5) The Croatian National Bank shall review annually the identification of O-SIIs. The Croatian National Bank shall report the result of that review to the O-SII concerned and the European Systemic Risk Board and shall publicly disclose on its website the updated list of the O-SIIs and the O-SII buffer rate.

(6) The Croatian National Bank shall disclose on its website the important elements of the identification methodology for O-SIIs and for setting the O-SII buffer rate.

## VII.5 CORRELATION BETWEEN SYSTEMIC RISK BUFFERS

### *Correlation between a structural systemic risk buffer, a G-SII buffer and an O-SII buffer*

#### Article 139

(1) Where a group of credit institutions in the RC, on a consolidated basis, is subject to a G-SII buffer and to an O-SII buffer, the higher buffer shall apply to this group of credit institutions on a consolidated basis.

(2) Where a credit institution is subject to a structural systemic risk buffer, set in accordance with Title VII.3 of this Act, that buffer shall be cumulative with the O-SII buffer or the G-SII buffer that is applied in accordance with Title VII.4 of this Act.

(3) In the case referred to in paragraph (2) of this Article, where the sum of the structural systemic risk buffer rate set in accordance with Article 131 of this Act and the O-SII buffer rate set in accordance with Article 137 of this Act or the G-SII buffer rate set in accordance with Article 136 of this Act to which the same credit institution is subject to would be higher than 5%, the Croatian National Bank shall request the authorisation of the European Commission in accordance with Article 137 of this Act.

(4) The Croatian National Bank may set the buffer rates referred to in paragraph (3) of this Article the sum of which would be higher than 5% of the total risk exposure amount only subject to the authorisation of the European Commission.

## VII.6 CAPITAL CONSERVATION MEASURES

### *Restrictions on distributions*

#### Article 140

(1) A credit institution that meets the combined buffer requirement shall not make a distribution in connection with common equity tier 1 capital to an extent that would decrease its common equity tier 1 capital to a level where the combined buffer requirement is no longer met.

(2) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount (MDA) in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of that maximum distributable amount.

(3) The credit institution referred to in paragraph (2) of this Article shall not undertake any of the following actions before it has calculated the maximum distributable amount:

- 1) make a distribution in connection with common equity tier 1 capital;
- 2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements; and
- 3) make payments on additional tier 1 instruments.

(4) For the purposes of paragraphs (1) and (3) of this Article, a distribution in connection with common equity tier 1 capital shall include the following:

- 1) a payment of cash dividends;
- 2) a distribution of fully or partly paid bonus shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;
- 3) a redemption or purchase by a credit institution of its own shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;
- 4) a repayment of amounts paid up in connection with capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013; and
- 5) a distribution of items referred to in Article 26, paragraph (1), items (b) to (e) of Regulation (EU) No 575/2013.

(5) A credit institution that fails to meet its combined buffer requirement at least in the amount prescribed in this Act shall not distribute more than the maximum distributable amount calculated in accordance with paragraph (2) of this Article through any action referred to in paragraph (3) of this Article.

(6) A credit institution that meets the leverage ratio buffer requirement pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013 shall not make a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the leverage ratio buffer requirement is no longer met.

(7) A credit institution that fails to meet the leverage ratio buffer requirement shall calculate the leverage ratio related maximum distributable amount (L-MDA) in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of that maximum distributable amount.

(8) The credit institution referred to in paragraph (7) of this Article shall not undertake any of the following actions before it has calculated the leverage ratio related maximum distributable amount (L-MDA):

1) make a distribution in connection with common equity tier 1 capital;

2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the leverage ratio buffer requirement referred to in paragraph (6) of this Article; and

3) make payments on additional tier 1 instruments.

(9) Where a credit institution fails to meet or exceed its leverage ratio buffer requirement, it shall not distribute more than the leverage ratio related maximum distributable amount (L-MDA) calculated in accordance with the subordinate legislation referred to in paragraph (10) of this Article through any action referred to in paragraph (8) of this Article.

(10) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the maximum distributable amount (MDA) and the leverage ratio related maximum distributable amount (L-MDA).

### *Failure to meet the combined buffer requirement*

#### Article 140a

Within the meaning of Article 140, paragraphs (1) to (5) of this Act, a credit institution shall be considered as failing to meet the combined buffer requirement where it does not have own funds in an amount and of the quality needed to meet at the same time the combined buffer requirement and each of the following requirements:

– referred to in Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage;

– referred to in Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage; and

– referred to in Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage.

*Failure to meet the leverage ratio buffer requirement*

Article 140b

Within the meaning of Article 140, paragraphs (6) to (9) of this Act, a credit institution shall be considered as failing to meet the leverage ratio buffer requirement where it does not have own funds in an amount and of the quality needed to meet at the same time the leverage ratio buffer requirement and each of the following requirements:

- referred to in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover the risk of excessive leverage; and
- referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover the risk of excessive leverage.

*Payments subject to restrictions on distributions*

Article 141

The restrictions on distributions imposed by Article 140 of this Act shall only apply to payments that result in a reduction of common equity tier 1 capital or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings under the provisions of this Act and other regulations governing the insolvency regime applicable to the credit institution.

*Distributions in the case of failure to meet the combined buffer and the leverage ratio buffer requirement*

Article 142

(1) A credit institution that fails to meet the combined buffer or the leverage ratio buffer requirement and intends to distribute any of its distributable profits or undertake an action referred to in Article 140, paragraphs (3) to (7) of this Act shall notify the Croatian National Bank in advance and provide the following information:

- 1) the amount of capital maintained by the credit institution, subdivided as follows:
  - a) common equity tier 1 capital,
  - b) additional tier 1 capital,
  - c) tier 2 capital;
- 2) the amount of its interim and year-end profits;
- 3) the maximum distributable amount calculated in accordance with Article 140, paragraphs (2), (6) and (10) of this Act;
- 4) the amount of distributable profits it intends to allocate between the following:
  - a) dividend payments,
  - b) share buybacks,



c) payments on additional tier 1 instruments,

d) ) the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the credit institution failed to meet its combined buffer requirements.

(2) A credit institution shall establish and maintain arrangements to ensure that the amount of distributable profits and the maximum distributable amount (MDA) and the leverage ratio related maximum distributable amount (L-MDA) are calculated accurately, and shall be able to demonstrate that accuracy to the Croatian National Bank on request.

### *Capital conservation plan*

#### Article 143

(1) A credit institution that fails to meet the combined buffer or the leverage ratio buffer requirement shall prepare a capital conservation plan and submit it to the Croatian National Bank no later than five working days after it identified that it was failing to meet that requirement.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may, on request of an individual credit institution, allow the credit institution to submit a capital conservation plan in up to 10 days taking into account the scale and complexity of the credit institution's activities.

(3) The capital conservation plan shall include the following:

1) estimates of income and expenditure and a forecast balance sheet;

2) measures to increase the capital ratios of the credit institution;

3) a plan and timeframe for the increase of own funds with the objective of meeting fully the combined buffer requirement.

(4) The Croatian National Bank may request any other information that it considers to be necessary to carry out the assessment required by paragraph (5) of this Article.

(5) The Croatian National Bank shall assess the capital conservation plan, and shall approve the plan only if it considers that the plan, if implemented, would be reasonably likely to conserve or raise sufficient capital to enable the credit institution to meet its combined buffer requirements within a period which the Croatian National Bank considers appropriate.

(6) If the Croatian National Bank does not approve the capital conservation plan in accordance with paragraph (5) of this Article, it shall impose one or both of the following:

1) require the credit institution to increase own funds to specified levels within specified periods;

2) exercise its powers under Article 220 of this Act to impose more stringent restrictions on distributions than those required by Articles 140 to 142 of this Act.

(7) Where a credit institution intends to take other measures to increase its capital ratios, i.e. change the timeframe for the increase in own funds from the approved capital conservation plan, it shall notify the Croatian National Bank thereof and submit an amended capital conservation plan. The Croatian National Bank shall assess and approve the amended capital conservation plan in accordance with paragraph (5) of this Article.

*Capital conservation measures in case the combined buffer and the leverage ratio  
buffer requirement is not met on a consolidated basis*

Article 143a

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC which meet the combined buffer requirement on an individual basis, but on a consolidated basis do not meet the combined buffer requirement relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

- 1) Articles 140 to 142 of this Act *mutatis mutandis* on an individual basis; and
- 2) Article 143 of this Act *mutatis mutandis* on a consolidated basis for a group of credit institutions in the RC.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement applicable to them on an individual basis, or such a requirement on a consolidated basis relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

1) Articles 140 to 142 of this Act so that the maximum distributable amount is considered the lower of the following amounts:

- a) the amount calculated by applying Article 140 of this Act; or
- b) the amount calculated by applying paragraph (1), item (1) of this Article.

2) Article 143 of this Act *mutatis mutandis* on a consolidated basis for a group of credit institutions in the RC.

(3) By way of derogation from Article 143 of this Act, a member of a group of credit institutions in the RC that fails to meet the combined capital requirement on an individual basis shall not be obligated to create a capital conservation plan

in cases referred to in paragraphs (1) and (2) of this Article, but an RC parent credit institution and an EU parent credit institution having its head office in the RC shall create a capital conservation plan referred to in paragraph (1), item (2) and paragraph (2), item (2) of this Article in the manner that it contains at a minimum the capital conservation plans of the members of a group of credit institutions in the RC which fail to meet the combined buffer requirement on an individual basis.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements laid down in Articles 140 to 143 of this Act, as well as the requirements referred to in this Article which an RC parent credit institution and an EU parent credit institution having its head office in the RC must meet in the case referred to in this Article.

## VII.7 REPORTING

### *Reporting*

#### Article 144

A credit institution and a parent credit institution shall report to the Croatian National Bank the capital buffers referred to in Articles 117, 118, 130, 135 and 137 of this Act and the capital conservation measures referred to in Articles 140 to 143a of this Act in the manner and within the time limits provided for in the subordinate legislation referred to in Article 162 of this Act.

## VII.a MACROPRUDENTIAL MEASURES

*Measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole*

### Article 144a

The Croatian National Bank as a designated authority shall, when this is necessary to safeguard the stability of the financial system as a whole, to strengthen the resilience of the financial system and to prevent and mitigate systemic risks, adopt subordinate legislation to set appropriate measures and instruments that may include:

- the highest allowed ratio of the approved loan amount to the collateral value;
- the highest allowed ratio of the loan amount to the income of the borrower;
- the highest allowed ratio of the debt service to the income of the borrower;
- the maximum maturity of the loan agreement;
- the requirements related to the loan amortization; or
- other measures and requirements aimed at safeguarding the stability of the financial system as a whole and preventing and mitigating systemic risks.

## VIII OTHER EXPOSURES AND APPROVALS

### *Definition of exposure*

#### Article 145

For the purposes of this Title, 'exposure' shall have the meaning as defined in Article 389 of Regulation (EU) No 575/2013.

### *Limits to large exposures*

#### Article 145a

(1) During a transitional period defined in Article 493, paragraph (3) of Regulation (EU) No 575/2013, a credit institution's exposures referred to in item (c) of that Article, including participations or other kinds of holdings, towards its parent undertaking, to other subsidiaries of that parent undertaking or to its own subsidiaries, in so far as those undertakings are covered by supervision on a consolidated basis in accordance with Title XXII of this Act, Regulation (EU) No 575/2013, regulations governing the operation of financial conglomerates or equivalent standards in force in the third country that apply to that credit institution, shall not exceed 25% of the credit institution's tier 1 capital.

(2) For the purposes of calculating the exposure amount referred to in paragraph (1) of this Article, a credit institution applies credit risk mitigation in accordance with Article 399, Article 400, paragraph (1), Article 401 and Article 403 of Regulation (EU) No 575/2013;

(3) At the end of the transitional period defined in Article 493, paragraph (3) of Regulation (EU) No 575/2013, the provisions of paragraph (1) of this Article continue to apply to credit institutions in accordance with this Act.

## *Calculation of large exposures secured by immovable property*

### Article 145b

In accordance with Article 402, paragraphs (1) and (2) of Regulation (EU) No 575/2013, for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) No 575/2013, a credit institution may not reduce the value of an exposure or any part of an exposure that is secured by residential property in accordance with Article 125, paragraph (1) of Regulation (EU) No 575/2013, secured by residential property or, in accordance with Article 126, paragraph (1) of Regulation (EU) No 575/2013, by the pledged amount of the market value or the mortgage lending value of the property concerned.

## *Persons in a special relationship with a credit institution*

### Article 146

(1) Persons in a special relationship with a credit institution to whom an exposure would be incurred or increased are:

1) the credit institution's shareholders owning 5% or more of shares with voting rights at the credit institution's general assembly;

2) the members of the credit institution's management and supervisory board and its procurators;

3) the person responsible for the control function, the person responsible for corporate business, the person responsible for retail business, the person responsible for treasury operations and the authorised person responsible for anti-money laundering;

4) legal persons in which the credit institution holds a participation;

5) legal persons in which members of the credit institution's management board, supervisory board or its procurators have a qualifying holding or in which those persons can exercise significant influence;

6) legal persons in which members of the credit institution's management board, supervisory board or its procurators are members of senior management or members of the management board, supervisory board, board of directors or executive directors;

7) legal persons whose members of the management board, supervisory board, board of directors or executive directors or procurators are at the same time members of the credit institution's management or supervisory board or its procurators;

8) legal persons whose member of the management board owns 10% or more of shares with voting rights at the credit institution's general assembly;

9) the members of the management board, supervisory board or procurators of the undertaking which is, directly or indirectly, the credit institution's parent undertaking or the credit institution's subsidiary;

10) third persons acting for the account of persons referred to in items (1) to (9) of this paragraph in relation to the activities which would incur or increase the credit institution's exposure.

(2) Persons in a special relationship with a credit institution referred to in paragraph (1), items (1) to (9) of this Article shall also be:

1) persons connected with the persons referred to in paragraph (1), items (1) to (9) of this Article in the manner referred to in Article 3, item (18) of this Act; and

2) immediate family members of natural persons referred to in paragraph (1), items (1) to (9) of this Article and legal persons in which this immediate family member holds a qualifying holding or in which he/she can exercise significant influence or holds a senior management position or is a member of the management body.

(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.

*Deciding on arrangements with persons in a special relationship with a credit institution*

Article 146a

(1) A credit institution may conclude a legal arrangement with a person referred to in Article 146 of this Act only if such an arrangement is concluded under terms and conditions not more favourable than the credit institution's common terms and conditions.

(2) Each individual legal arrangement with a person referred to in Article 146 of this Act resulting in or increasing the total exposure of a credit institution that exceeds EUR 7,000.00 may be incurred only by a unanimous decision of all management board members and subject to prior approval of the supervisory board. Exceptionally, a member of the management or supervisory board shall not take the vote on the approval of an exposure if the exposure is to be incurred towards the member or to persons connected to the member.

(3) By way of derogation from paragraph (2) of this Article, where the type of business or incurrance of certain exposures is such that this is the case of daily transactions or exposures for which individual prior unanimous decision of all management board members or prior approval of the supervisory board would seriously hinder the work process of the credit institution, the management board may, by a unanimous decision of all management board members and with prior approval of the supervisory board, grant a framework approval for multiple legal arrangements subject to the following conditions:

1) it relates to a specific person in a special relationship with the credit institution referred to in Article 146 of this Act, and not to all such persons in general; and

2) it is granted for a maximum period of six months

and a member of the management board or a member of the supervisory board may not take a vote on the approval of exposure if the exposure is to be incurred towards the member or to persons connected to the member.

*Legal effects of concluding arrangements contrary to the provisions of this Act*

Article 146b

(1) Where a legal arrangement, as a result of which the credit institution would incur or increase its exposure, in the form of loans or other on-balance sheet items, to a person referred to in Article 146, paragraph (1), items (2), (3) and (7) of this Act, including persons that are connected to that person, in the manner referred to in Article 146, paragraph (2) of this Act, or are that person's immediate family members, is concluded contrary to the provisions of Article 146a of this Act, such person shall without delay return to the credit institution all receipts arising from such legal arrangement regardless of the contractual provisions.

(2) Exceptionally, paragraph (1) of this Article shall not apply where within three months of the date of the conclusion of a legal arrangement such legal arrangement is approved by a unanimous decision of the management board and approved by the supervisory board, and where at the end of that period contractual terms are not more favourable than the credit institution's common terms and conditions.

### *Responsibilities of the Croatian National Bank for subordinate legislation*

#### Article 146c

The Croatian National Bank shall adopt subordinate legislation to specify reporting requirements and further regulate the method of and time limits for reporting on exposures to persons in a special relationship referred to in Article 146 of this Act.

### *Prior approval of the supervisory board*

#### Article 147

Prior approval of a credit institution's supervisory board shall be required before concluding a legal arrangement that might result in the credit institution's large exposure to a single person or group of connected clients. 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 clients would increase so as to reach or exceed 15%, 20%, and each additional 5% of the credit institution's tier 1 capital.

### *Holdings of tangible assets*

#### Article 148

(1) Credit institution's total holdings of tangible assets may not exceed 40% of the credit institution's eligible capital.

(2) The holdings referred to in paragraph (1) of this Article shall not be holdings that a credit institution acquired in the first two years:

- after acquisition, in exchange for its claims during the process of financial reconstruction;
- in the process of the transfer of ownership of real estate which is the collateral for a consumer housing loan to a credit institution, executed in accordance with the law governing consumer housing loans;
- in the course of bankruptcy or foreclosure proceedings; and
- through the realisation of collateral received pursuant to the Foreclosure Act.

### *Prior approval of the Croatian National Bank to acquire individual holdings*

#### Article 149

(1) A credit institution shall obtain prior approval of the Croatian National Bank before establishing an undertaking or concluding a legal arrangement that would make it, gradually or



immediately, the direct or indirect holder of a holding of 20% or more in another legal person, if the holding exceeds 10% of the credit institution's eligible capital.

(2) A credit institution shall obtain prior approval of the Croatian National Bank before establishing an undertaking or concluding a legal arrangement that would make it the direct or an indirect holder of a majority holding in the capital or of a majority of the voting rights in another legal person.

(3) By way of derogation from paragraphs (1) and (2) of this Article, a credit institution shall not be required to obtain prior approval of the Croatian National Bank to conclude a legal arrangement that would result in the direct acquisition of shares or holdings it intends to hold in the trading book.

(4) A credit institution shall notify the Croatian National Bank of all changes in the activity of legal persons in which it has a majority holding in the capital or a majority of the voting rights prior to the entry of such activity in the register of companies.

(5) The following documents shall be enclosed with the application for the prior approval referred to in paragraphs (1) and (2) of this Article:

- 1) a detailed description of the legal arrangement to which the application refers;
- 2) a description of actions already taken by the applicant in relation to the legal arrangement to which the application refers;
- 3) a description of the effect of acquiring a majority holding in the capital or a majority of the voting rights on the existing operations of the applicant; and
- 4) a business plan with projected financial statements for the following three years.

(6) The rules of determining the size of the holding by an indirect acquirer shall be applied for the purposes of determining the amount of the direct holding referred to in this Article in accordance with subordinate legislation referred to in Article 28, paragraph (5) of this Act.

## **IX SALE OF PLACEMENTS BY CREDIT INSTITUTIONS**

### *Sale of placements by credit institutions*

#### Article 150

(1) For the purposes of this Article, 'sale of placements' means any contract the purpose of which is to transfer a placement or risks and benefits arising from the placement from a selling credit institution (hereinafter in this Article referred to as 'seller') to the acquirer, which results in derecognition of the placement from the balance sheet of the credit institution in accordance with the International Financial Reporting Standards (hereinafter in this Article referred to as 'contract').

(2) The seller may conclude a contract if it meets the general conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article.

(3) By way of derogation from paragraph (2) of this Article, the seller may conclude a contract concerning a material amount of placements if the contract meets the general and specific conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article and if at least 60 days prior to concluding the contract the seller notifies the Croatian National Bank in writing that such conditions have been met and delivers complete documentation.



(4) The seller may return to its balance sheet a material amount of placements or risks and benefits arising from a material amount of placements under conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article.

(5) The seller shall ensure that consumers whose placements are the subject matter of the contract are not put by the acquirer, or a third party to which the acquirer has transferred placements or risks and benefits arising from placements, in a less favourable position with regard to consumer protection than the position they held as debtors to the seller. The seller and the acquirer or the third party to which placements have been further transferred shall be jointly liable for any damage to the consumers that may arise from their legally or factually less favourable position than the position they held as debtors to the seller. The provision of this paragraph shall apply to all contracts regardless of whether the amount of the placement concerned is material or not.

(6) The provisions of paragraphs (2) to (5) of this Article shall not apply to contracts concluded within measures imposed on credit institutions in financial difficulties by the Croatian National Bank or relevant administrative bodies, or measures taken by the special administration or resolution administration of a credit institution.

(7) The Croatian National Bank may adopt subordinate legislation to further regulate:

- the definition and scope of placements;
- the material amount of placements;
- conditions for the sale of placements and the return of placements to the seller's balance sheet;
- cases in which certain placements may be returned to the seller; and
- documentation that the credit institution shall deliver to the Croatian National Bank for the purpose of verifying compliance with the prescribed conditions.

(8) Where in the sale of placements referred to in this Article the claim is transferred by assignment and the debtor is notified thereof in accordance with the law governing civil obligations, the credit institution shall in addition to the notification of the assignment of claim deliver to the debtor a report on the total debt balance as at the date of the transfer of the claim and the debt structure broken down by the following items: principal, interest, fees and charges and other costs.

## **X REPORTING TO THE CROATIAN NATIONAL BANK**

### *Reporting*

#### Article 151

(1) A credit institution shall report to the Croatian National Bank in accordance with this Act and regulations adopted under this Act, Regulation (EU) No 575/2013 and regulations adopted under that Regulation, as well as other regulations of the European Union governing the operation of credit institutions.

(2) A credit institution shall report to the Croatian National Bank the following without delay:

- 1) all facts to be entered in the register of companies and each submitted application for entry of data in the register of companies as well as all completed entries of data changes in the register of companies;
- 2) the announcement of its general assembly and the date on which it is to be held;

- 3) the convening of its general assembly and all decisions adopted at the assembly;
  - 4) all planned changes in the credit institution's initial capital of 10% or more;
  - 5) discontinuance of individual banking and/or financial services; and
  - 6) on becoming aware of the fact that natural or legal persons acquired a qualifying holding or that holders of a qualifying holding sold or otherwise disposed of their shares that caused holdings to exceed or fall below the threshold for which they obtained prior approval.
- (3) In addition to the facts referred to in paragraph (2) of this Article, a credit institution shall submit reports about the following to the Croatian National Bank:
- 1) the credit institution's shareholders and persons connected with them holding 3% or more of shares with voting rights at the credit institution's general assembly;
  - 2) close links between the credit institution and other natural and legal persons; and
  - 3) the structure of groups of connected clients to whom the credit institution is exposed.
- (4) Credit institutions whose shares are listed for trading on a regulated market shall, at least annually, inform the Croatian National Bank of the names of shareholders possessing qualifying holdings and the sizes of such holdings.
- (5) A credit institution's management board shall notify the Croatian National Bank without delay if:
- 1) the liquidity or solvency of the credit institution is jeopardised;
  - 2) reasons for lapsing or revocation of authorisation or for revocation of authorisation to provide individual financial services arise; and
  - 3) the credit institution's financial position changes to the extent that its own funds fall below the level laid down in Article 92 of Regulation (EU) No 575/2013 or below the level imposed by the Croatian National Bank under Articles 224, 228 and 285 of this Act.
- (6) The Croatian National Bank may adopt subordinate legislation to further regulate the content of the reports referred to in paragraphs (2) and (3) of this Article, along with time limits for and the method of reporting.

### *Benchmark remuneration trends*

#### Article 152

- (1) The Croatian National Bank shall collect information in accordance with Article 450, paragraph (1), items (g), (h), (i) and (k) of Regulation (EU) No 575/2013 and the data about the gender pay gap.
- (2) The Croatian National Bank shall use the data referred to in paragraph (1) of this Article to detect benchmark remuneration trends and practices of credit institutions.

### *Benchmark remuneration trends related to diversity*

#### Article 152a

The Croatian National Bank shall collect information in accordance with Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013 and shall use it to establish benchmark remuneration trends and practices of credit institutions related to diversity of the management and supervisory boards.

## *Reporting at the request of the Croatian National Bank*

### Article 153

At the request of the Croatian National Bank, a credit institution shall deliver reports and information on all matters relevant for the exercise of supervision or oversight and other tasks within the competence of the Croatian National Bank.

## X.a RECOVERY PLANS

### *Recovery plan*

#### Article 154

(1) A recovery plan that sets out measures to be taken to restore its financial position following a significant financial deterioration shall be drawn up and delivered to the Croatian National Bank by:

- 1) a credit institution that is not part of a group of credit institutions in the EU or a group of credit institutions in the RC, on an individual basis;
- 2) an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act, for its group of credit institutions in the RC on a consolidated basis;
- 3) a credit institution which is a member of a group of credit institutions in the EU, on an individual or sub-consolidated basis, where so decided in accordance with Article 154c of this Act and imposed by a decision of the Croatian National Bank; and
- 4) a credit institution excluded from a group of credit institutions in the RC pursuant to Article 19 of Regulation (EU) No 575/2013, on an individual basis.

(2) A recovery plan shall be adopted by a credit institution's management board subject to prior approval of the supervisory board.

(3) The recovery plan referred to in paragraph (1) of this Article shall be drawn up and delivered in the manner prescribed in subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act.

(4) A credit institution shall implement the recovery plan adopted in accordance with paragraph (2) of this Article.

(5) A credit institution shall update its recovery plan at least annually or after a change in the legal or organisational structure of the credit institution or of the member of a group of credit institutions for which the recovery plan is drawn up or after a change in its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plan.

(6) A credit institution shall lay down, document and regularly review the process of drawing up and updating recovery plans.

(7) Where it deems it necessary, the Croatian National Bank may require a credit institution to update its recovery plans more frequently.

(8) A credit institution shall ensure the Croatian National Bank access to full and detailed information concerning the process of drawing up and updating its recovery plans.

(9) In the subordinate legislation referred to in Article 101, paragraph (2), item (7) of this Act, the Croatian National Bank may regulate that the requirements for a credit institution regarding the scope of recovery plans and frequency of updating recovery plans may be reduced, taking into account:

1) the effect that the failure of the credit institution might have due to the nature of its business, shareholding structure, legal form, risk profile, size, interconnectedness to other credit institutions or the financial system in general, the scope and complexity of its activities, and investment services or activities as defined in the special law governing the capital market, transposing the provisions of Article 4, paragraph (1), item (2) of Directive 2014/65/EU; and

2) the assessment of whether its failure and subsequent compulsory winding-up proceedings could have a significant negative effect on financial markets, on other credit institutions or investment firms, on funding conditions, or on the wider economy.

(10) Before adopting the subordinate legislation referred to in Article 101, paragraph (2), item (7) of this Act, the Croatian National Bank shall consult the Financial Stability Council with regard to the circumstances referred to in paragraph (9) of this Article.

(11) The application of a reduced scope of recovery plans and lower frequency of their updating as defined in paragraph (9) of this Article shall not affect the power of the Croatian National Bank to take crisis prevention measures.

(12) The Croatian National Bank shall notify the European Banking Authority of the adoption of subordinate legislation referred to in paragraph (9) of this Article and the manner in which the reduced scope of recovery plans and lower frequency of their updating are regulated.

(13) A credit institution shall prepare and regularly update a list of financial contracts to which the credit institution concerned is a party.

(14) By way of derogation from paragraph (1) of this Article, a credit institution under resolution shall not be obligated to draw up or update its recovery plan.

### *Assessment of recovery plans*

#### Article 154a

(1) A credit institution shall ensure that its recovery plan meets the following criteria:

1) the implementation of the arrangements proposed in the plan maintains or restores the viability of the credit institution's regular operation and stability of the financial position of the credit institution or of a group of credit institutions for which the plan is drawn up, in case of a serious financial disruption, taking into account the preparatory measures that the credit institution has taken or plans to take; and

2) the plan and arrangements proposed in the plan may be implemented quickly and effectively in situations of a serious financial disruption and shall not lead to significant adverse effects on the financial system, including in scenarios which would lead other credit institutions to implement recovery plans within the same period.

(2) The Croatian National Bank shall, within six months of the submission of the recovery plan, review whether the requirements laid down in Article 154 of this Act and the criteria referred to in paragraph (1) of this Article are satisfied and notify the credit institution thereof. Where a credit institution has a significant branch located in another Member State, the Croatian National Bank shall, within the said period, consult the competent authority of the Member State where the significant branch is located insofar as is relevant to that branch.

(3) In connection to the review referred to in paragraph (2) of this Article, the Croatian National Bank shall take into consideration the appropriateness of the credit institution's capital and funding structure to the level of complexity of the organisational structure and the risk profile of the institution.

(4) The Croatian National Bank shall without delay provide the recovery plan to the resolution authority responsible for drawing up the credit institution's resolution plan, which may, where it deems that the actions proposed in the recovery plan may adversely impact the resolvability of the credit institution, make recommendations within a reasonable timeframe. The obtained recommendations shall be taken into consideration when imposing measures on the credit institution.

(5) Where the Croatian National Bank within the time limit referred to in paragraph (2) of this Article assesses that there are material deficiencies in the recovery plan, or material impediments to its implementation, it shall require the credit institution to submit, within the period not longer than two months, a revised plan remedying those deficiencies or impediments. The Croatian National Bank may, at the request of the credit institution, extend the timeframe for submitting a revised recovery plan by one month at the most. Before requiring the credit institution to submit a revised recovery plan, the Croatian National Bank shall give the credit institution the opportunity to state its opinion on that requirement.

(6) Where the Croatian National Bank assesses that the deficiencies and impediments have not been remedied by the revised recovery plan, it may direct the credit institution to make specific changes to the recovery plan.

(7) If the institution fails to submit a revised recovery plan, or if the Croatian National Bank assesses that the revised recovery plan does not remedy the initially identified deficiencies or impediments and if it is not possible to remedy the deficiencies or impediments through a direction to make specific changes to the recovery plan, the Croatian National Bank shall require the institution to identify changes it can make to its business in order to remedy the deficiencies or impediments to the implementation of the recovery plan and the timeframe within which it would be able to implement them.

(8) If the Croatian National Bank assesses that the changes to the credit institution's business proposed by the credit institution adequately remedy the deficiencies or impediments to the implementation of the recovery plan, it shall direct the credit institution to make the changes.

(9) If the credit institution fails to identify changes to its business aimed at remedying deficiencies or impediments in the implementation of the recovery plan or if the Croatian National Bank assesses that the proposed changes or timeframes are not adequate, the Croatian National Bank may direct the credit institution to take any measure it considers to be necessary to remedy the deficiencies or impediments in the implementation of the recovery plan proportionate in view of the seriousness of the deficiencies and impediments and the effects of the measures on the credit institution's business.

(10) For the purpose of paragraph (9) of this Article, the Croatian National Bank may, in addition to other measures available under this Act, direct the credit institution to:

- 1) reduce its risk profile, including liquidity risk;
- 2) create the conditions for a timely increase in its initial capital or own funds;
- 3) review its strategy and organisational structure;
- 4) make changes to its funding strategy so as to improve the resilience of the core business lines and critical functions; and

5) make changes to its governance structure.

(11) The measures referred to in paragraph (10) of this Article can be measures implemented on a consolidated basis, measures implemented on an individual basis by the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act or measures implemented on an individual basis by individual members of a group of credit institutions.

(12) In the case referred to in Article 10 of Regulation (EU) No 806/2014, when assessing recovery plans the Croatian National Bank shall act in accordance with that Regulation.

*Assessment of group recovery plans where the Croatian National Bank is the consolidating supervisor*

Article 154b

(1) The recovery plan drawn up by the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act for its group of credit institutions in the RC shall contain measures to be implemented on an individual basis by the parent credit institution and measures to be implemented on an individual basis by each subsidiary individually. The aim of this plan is to achieve the stabilisation of the group of credit institutions in the RC as a whole, or any member of that group in the situation of a serious financial disruption so as to address or remove the causes of the disruption or restore the financial position of the group or the members of that group, at the same time taking into account the financial position of other members of the group.

(2) The Croatian National Bank as the consolidating supervisor shall, in accordance with the requirements concerning the exchange of confidential information of the Act on the Resolution of Credit Institutions and Investment Firms, transmit group recovery plans to:

- 1) the competent authorities of the Member States included in the college of supervisors;
- 2) the competent authorities of the Member States where significant branches are located insofar as is relevant to that branch;
- 3) the group-level resolution authority; and
- 4) resolution authorities of subsidiaries.

(3) After consulting the competent authorities included in the college of supervisors and insofar as is relevant to that branch, after consulting the competent authorities of the Member States where significant branches are located, the Croatian National Bank as the consolidating supervisor and the competent authorities of other Member States where head offices are located of other undertakings included in the group of credit institutions in the RC shall review, in the manner referred to in Article 154a of this Act and in this Article, whether the group recovery plan satisfies the requirements and criteria laid down in Article 154a of this Act, in this Article and in the subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act.

(4) The review referred to in paragraph (3) of this Article shall take into account the potential impact of the measures proposed in the recovery plan on the financial stability in all the Member States where the group of credit institutions in the RC operates.

(5) The Croatian National Bank shall cooperate with the competent authorities of other Member States in which there are head offices of other subsidiary undertakings included in the group of credit institutions in the RC to reach a joint decision on:

- 1) the review and assessment of the group recovery plan for the group of credit institutions in the RC;
  - 2) the application for a recovery plan on an individual basis for a credit institution that is part of the group of credit institutions in the RC;
  - 3) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act; and
  - 4) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the subsidiary member of the group of credit institutions in the RC;
- (6) The joint decision shall be reached within four months of the date of the transmission by the Croatian National Bank of the group recovery plan for the group of credit institutions in the RC to the competent authorities of other Member States. This decision must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the parent credit institution for which it is the competent authority.
- (7) In the process of reaching a joint decision referred to in paragraph (5) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.
- (8) Based on the decision referred to in paragraph (5) of this Article, the Croatian National Bank shall adopt a decision and deliver it to the member of the group of credit institutions in the RC for which the Croatian National Bank is the competent authority.
- (9) Where it is assessed in the joint decision referred to in paragraph (5) of this Article that there are material deficiencies in the recovery plan, or material impediments to its implementation, the procedure referred to in Article 154a, paragraphs (5) to (10) of this Act shall be applied as appropriate.
- (10) If a joint decision referred to in paragraph (5) of this Article is not reached within four months of the date when the Croatian National Bank transmitted the group recovery plan to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC, the Croatian National Bank shall make its own decision referred to in paragraph (5), items (1) and (3) of this Article for credit institutions within its competence, taking into account the expressed views and reservations of these competent authorities, and shall notify the decision to the parent credit institution within its competence and to the competent authorities.
- (11) By way of derogation from paragraph (10) of this Article, if, at the end of the four-month period of the date when the Croatian National Bank transmitted to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC the group recovery plan for that group and prior to the reaching of a joint decision, the Croatian National Bank or any of the competent authorities of another Member State where head offices are located of other undertakings included in the group of credit institutions in the RC refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in taking a joint decision on the assessment of the recovery plan or imposing the measures referred to in Article 154a, paragraph (10), item (1), (2) or (4) of this Act and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(12) In the case referred to in paragraph (11) of this Article, if the European Banking Authority does not reach a decision within one month, the Croatian National Bank shall take its own decision referred to in paragraph (5), items (1) and (3) of this Article for credit institutions within its competence, taking into account the expressed views and reservations of these competent authorities and shall notify the decision to the parent credit institution within its competence and the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC.

(13) The Croatian National Bank and other competent authorities which do not disagree with the reaching of a joint decision referred to in paragraph (5), items (2) and (4) of this Article may reach a joint decision on a group recovery plan for the group of credit institutions in the RC covering members of the group under their competence.

(14) The decisions referred to in paragraphs (5) and (11) of this Article shall be binding for all competent authorities of the Member States where head offices are located of undertakings included in the group of credit institutions in the RC.

*Assessment of group recovery plans where the Croatian National Bank is not the consolidating supervisor*

Article 154c

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on:

- 1) the review and assessment of the group recovery plan for the group of credit institutions in the EU in accordance with Article 154a of this Act;
- 2) the application for a recovery plan on an individual basis for a credit institution that is part of the group of credit institutions in the EU;
- 3) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the EU parent credit institution;
- 4) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the subsidiary member of the group of credit institutions in the EU;

(2) The Croatian National Bank may request the consolidating supervisor for a credit institution having its head office in the Republic of Croatia which is a member of a group of credit institutions in the EU to draw up a recovery plan on an individual or sub-consolidated basis.

(3) The Croatian National Bank shall participate with the competent authorities of other Member States where head offices are located of other undertakings included in the group of credit institutions in the EU in the review, in the manner referred to in Article 154a of this Act and in this Article, of whether the group recovery plan satisfies the requirements and criteria laid down in Article 154a of this Act, in this Article and in the subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act.

(4) The review referred to in paragraph (1), item (1) of this Article shall take into account the potential impact of the measures proposed in the recovery plan on the financial stability in all the Member States where the group of credit institutions in the EU operates.

(5) The joint decision shall be reached within four months of the date of the transmission by the consolidating supervisor to the Croatian National Bank of the group recovery plan for the group



of credit institutions in the EU. The Croatian National Bank shall reach a decision in conformity with that decision.

(6) Where it is assessed in the decision referred to in paragraph (1) of this Article that the measures referred to in Article 154a, paragraphs (5) to (10) of this Act need to be implemented on a credit institution in the Republic of Croatia which is a member of a group, based on that decision, the Croatian National Bank shall reach a decision and deliver it to the member of the group of credit institutions in the EU for which the Croatian National Bank is the competent authority.

(7) In the process of reaching a joint decision referred to in paragraph (1) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31, item (c) of Regulation (EU) No 1093/2010.

(8) Where it is assessed in the joint decision referred to in paragraph (1) of this Article that there are material deficiencies in the recovery plan, or material impediments to its implementation, the Croatian National Bank shall participate in the process of reaching a joint decision for the purposes of the procedure referred to in Article 154a, paragraphs (5) to (10) of this Act.

(9) If a joint decision referred to in paragraph (1) of this Article is not reached within four months of the date when the consolidating supervisor transmitted to the Croatian National Bank the group recovery plan for the group of institutions in the EU, the Croatian National Bank shall reach a decision on the need to draw up a recovery plan and implement measures referred to in Article 154a, paragraphs (5) to (10) of this Act for each group member for which the Croatian National Bank is the competent authority on an individual or a sub-consolidated basis.

(10) By way of derogation from paragraph (9) of this Article, if, at the end of the four-month period of the date when the group recovery plan for a group of credit institutions in the EU was transmitted and prior to the reaching of a joint decision, the Croatian National Bank or any of the competent authorities of another Member State where head offices are located of other undertakings included in the group of credit institutions in the EU refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in taking a joint decision on the assessment of the recovery plan or imposing the measures referred to in Article 154a, paragraph (10), item (1), (2) or (4) of this Act and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(11) In the case referred to in paragraph (10) of this Article, if the European Banking Authority does not reach a decision within one month, the Croatian National Bank shall reach the decision referred to in paragraph (1), item (2) or (4) of this Article in the manner referred to in paragraph (9) of this Article.

(12) The Croatian National Bank and other competent authorities which do not disagree with the reaching of a joint decision referred to in paragraph (1) of this Article may reach a joint decision on a group recovery plan for the group of credit institutions in the EU covering members of the group under their competence.

## Article 155

*Deleted.*

## **XII BANKING SECRECY**

### *Banking secrecy*

#### Article 156

(1) 'Banking secrecy' means a credit institution's obligation to protect the confidentiality of all information, facts and circumstances of which it becomes aware in the course of providing services to clients or in the course of business with individual clients. Credit institutions shall be bound by the obligation of banking secrecy.

(2) For the purposes of this Act, a credit institution's clients shall be all persons who requested or received banking and/or financial services from the credit institution.

### *Obligation of banking secrecy*

#### Article 157

(1) Members of the credit institution's bodies, its shareholders or employees and other persons who, due to the nature of their business with or for the credit institution have access to confidential information, shall be bound by the obligation of banking secrecy. They may not divulge confidential information to third parties, use it against the interests of the credit institution or its clients, or enable third parties to make use of it.

(2) The persons referred to in paragraph (1) of this Article shall be bound by the obligation of banking secrecy even after the termination of their employment with the credit institution or after the termination of their status of shareholders or membership in the credit institution's bodies, as well as after the termination of their contract on the performance of activities for the credit institution.

(3) The credit institution's obligation of banking secrecy shall not include the following cases:

1) where the client's consent is given that specific confidential information may be disclosed to another natural and/or legal person, provided that the consent may be verified. To the extent that the confidential information involves personal data, the consent shall be given in accordance with the regulations governing the protection of personal data;

2) where this enables the credit institution to realise its interest when exercising the sale of client's receivables;

3) where confidential information is disclosed to the Croatian National Bank, the Financial Inspectorate of the Republic of Croatia or another supervisory or competent authority for the purposes of supervision or oversight within their competence;

4) where confidential information is exchanged within a group of credit institutions for the purpose of risk management;

5) where confidential information on clients is disclosed directly to another credit institution in accordance with Article 321 of this Act;

5a) where confidential information on clients is disclosed directly to another credit institution and/or financial institution or to a legal person which collects and exchanges information between credit and/or financial institutions, and the information is required for assessing client's creditworthiness or managing credit risk;

6) where confidential information on clients who defaulted on their obligations is disclosed to a legal person who collects and disseminates such information among credit and/or financial institutions;

- 7) where the disclosure of confidential information is essential for collecting and establishing facts in criminal or preliminary proceedings, when requested or ordered in writing by the competent court;
- 8) where the disclosure of confidential information is necessary to carry out foreclosure or bankruptcy proceedings over the property of a client, legacy proceedings or other property-rights proceedings, and such disclosure is requested or ordered in writing by the competent court or public notary in the course of performing the functions entrusted to them pursuant to law;
- 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;
- 10) where confidential information is disclosed to the Office for the Prevention of Money Laundering pursuant to the law governing the prevention of money laundering and terrorist financing;
- 11) where confidential information is disclosed to the Office for the Prevention of Corruption and Organised Crime pursuant to the law governing the prevention of corruption and organised crime;
- 12) where confidential information is required by the tax authorities (Tax Administration and Customs Administration) in procedures carried out within the framework of their competence under law, and is disclosed at their written request;
- 13) where confidential information is disclosed to the Croatian Agency for Deposit Insurance pursuant to the law governing deposit insurance;
- 14) where the account balance reflects inability to effect payments and the certificate is requested to substantiate the existence of grounds for bankruptcy;
- 15) disclosure of information to insurance undertakings within the procedure of insuring the credit institution's receivables;
- 16) disclosure of information in the course of concluding legal arrangements which have the effect of insuring the credit institution's receivables, such as derivative credit instruments, bank guarantees and similar arrangements;
- 17) disclosure of information, subject to written consent of the credit institution's management board, to a holder of a qualifying holding in the credit institution, to a person intending to acquire a qualifying holding in the credit institution, to a person to whom the credit institution is merged by acquisition or with whom the credit institution merges by formation of a new credit institution, to a legal person intending to take over the credit institution as well as to auditors, legal and other experts authorised by a holder of a qualifying holding or a potential holder;
- 18) disclosure of information necessary for the exercise of the credit institution's activities which are subject to outsourcing, where information is disclosed to the providers of outsourced activities;
- 19) where a credit institution which provides services of storing and administering financial instruments for the account of clients, including custody services, discloses information on the holder of securities to a credit institution which is the issuer of these non-material securities at its request;

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;

21) where requested in writing by a competent state attorney's office or the European Public Prosecutor's Office or where the competent state attorney's office or the European Public Prosecutor's Office orders the Ministry of the Interior in writing to collect information in preliminary proceedings;

22) where confidential information is disclosed to a co-debtor, pledgor, guarantor or another participant in the credit relationship, and only information on that credit relationship;

23) where confidential information is disclosed at written request to a person who incorrectly paid funds to an account of a credit institution's client, and only information necessary to initiate court proceedings for the repayment of incorrectly paid funds;

24) where confidential information is disclosed to resolution authorities and the Ministry of Finance in connection with the implementation of the Act on the Resolution of Credit Institutions and Investments Firms;

24a) where confidential information is disclosed to the Single Resolution Board in accordance with Regulation (EU) No 806/2014; and

25) where so provided in other laws.

(4) Disclosure of confidential information shall not be considered to include:

1) disclosure of information in collective form, such that personal or business data on a client cannot be identified; and

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

(5) Where confidential information is exchanged on the basis of a consent of the client referred to in paragraph (3), item (1) of this Article or in accordance with paragraph (3), items (5), (5a) and (6) of this Article, the credit institution shall ensure that the following conditions are met:

– the information being disclosed is correct, complete and up-to-date;

– the client is provided access to his/her information being disclosed;

– the extent of the information thus exchanged is not larger than necessary for the purpose for which it is being exchanged; and

– the information thus received is kept for a period not longer than necessary for the purpose for which it is being disclosed.

(6) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions referred to in paragraph (5) of this Article.

### *Use and protection of confidential information*

#### Article 158

(1) The Croatian National Bank, courts, other supervisory authorities and other persons

referred to in Article 157, paragraph (3) of this Act, shall use the confidential information

they have received under the same Article exclusively for the purpose for which it has been

given and may not divulge it to third parties or enable third parties to acquire and make use of such information, except in cases prescribed by law.

(2) The provision of paragraph (1) of this Article shall also apply to all natural persons who work or have worked for the Croatian National Bank, courts, other supervisory authorities or other persons referred to in Article 157, paragraph (3) of this Act in the capacity of employees or other capacities.

## **XIII BUSINESS BOOKS AND FINANCIAL STATEMENTS**

### *Application of other laws and standards*

#### Article 159

(1) A credit institution shall keep business books, other business documentation and records, evaluate assets and liabilities and prepare and publish annual financial statements and annual reports in accordance with applicable regulations and professional standards.

(2) A credit institution shall keep business books and other business documentation and records in such a manner that it is possible to verify at all times whether the credit institution operates in accordance with applicable regulations and professional standards.

### *Bookkeeping documents*

#### Article 160

(1) A credit institution shall prepare, check and store bookkeeping documents in accordance with applicable regulations and professional standards.

(2) By way of derogation from paragraph (1) of this Article, a credit institution shall store for a period of at least eleven years:

1) documents relating to the opening, closing and recording of changes in payment accounts and deposit accounts;

2) documents relating to other changes not covered by item (1) of this paragraph on the basis of which data have been entered in the credit institution's business books; and

3) contracts and other documents relating to the establishment of a business relationship.

(3) The time limit referred to in paragraph (2) of this Article shall mean the period following the end of the year in which the business change occurred, i.e. in which bookkeeping documents were prepared. Where such documents relate to long-term business activities, they shall be kept for the duration of the business relationship and at least eleven years following the end of the year in which the business relationship was terminated.

(4) A credit institution shall store business books for at least eleven years starting from the last day of the business year to which the business books relate.

### *Chart of accounts*

#### Article 161

(1) The Croatian National Bank may adopt subordinate legislation governing a chart of accounts for credit institutions.

(2) A credit institution shall follow the chart of accounts referred to in paragraph (1) of this Article.

### *Regulations on statements and reports*

#### Article 162

(1) The Croatian National Bank shall adopt subordinate legislation to further regulate the form and content of a credit institution's financial statements and other reports for the purposes of the Croatian National Bank, and the method of and time limits for their delivery to the Croatian National Bank.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the scope and content of financial statements and other data provided by branches of credit institutions of other Member States, and the method of and time limits for disclosure or delivery of such statements and other data to the Croatian National Bank.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the scope and content of financial statements and other data provided by branches of third-country credit institutions and the method of and time limits for disclosure or delivery of such statements and other data to the Croatian National Bank.

(4) A credit institution, a branch of a credit institution of another Member State and a branch of a third-country credit institution shall deliver to the Croatian National Bank financial statements and other reports in the form and content provided for in the subordinate legislation adopted under this Article.

### *Delivery of statements and reports to the Croatian National Bank and their disclosure*

#### Article 163

(1) A credit institution shall deliver to the Croatian National Bank the following reports within 15 days of receipt of the audit report and at the latest within three months following the end of the business year to which the annual financial statements relate:

1) a report on the statutory audit of annual financial statements of a group of credit institutions in the Republic of Croatia, including such financial statements;

2) annual and consolidated annual report, in accordance with the regulations governing accounting; and

3) an audit report for the purposes of the Croatian National Bank referred to in Article 174 of this Act.

(2) For the purpose of paragraph (1) of this Article, a business year is a business year in accordance with the regulations governing accounting.

(3) A credit institution shall publish its annual report on its website and make it available at the latest within four months following the end of the business year to which the report relates.

(4) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall publish a consolidated annual report of a group as laid down in the regulation governing accounting in the manner and within the time limit referred to in paragraph (3) of this Article.

(5) A branch of a credit institution of another Member State and a branch of a third-country credit institution shall at the latest within 45 days of the expiry of the time limit for disclosure of these reports in the country where the founder has its head office publish on its website in the Croatian language audited annual financial statements and audited consolidated annual financial statements of their founder and the annual report of their founder, including the audit report

(6) The statements referred to in paragraph (5) of this Article shall be prepared and subject to an audit requirement in accordance with the regulations of the country where the founder has its head office.

### *Delivery of information to the Croatian National Bank and their disclosure*

#### Article 164

(1) Within the time limit referred to in Article 163, paragraph (1) of this Act, a credit institution shall deliver to the Croatian National Bank the following information relating to the preceding financial year for each Member State and third country:

- 1) name of the Member State and third country in which it provides services, banking and financial services it provides, the nature of its activities and their geographical location;
- 2) total turnover;
- 3) number of employees on a full time equivalent basis;
- 4) profit or loss before tax;
- 5) tax on profit or loss; and
- 6) public subsidies received.

(2) The information referred to in paragraph (1) of this Article shall be audited and published as attachment to annual financial statements and, where applicable, consolidated annual financial statements.

(3) A credit institution shall disclose the information referred to in paragraph (1) of this Article specified by Member States and by third country, where applicable.

## **XIV PUBLIC DISCLOSURE**

### *Method of and time limits for public disclosure*

#### Article 165

(1) Credit institutions shall publish information referred to in Part Eight of Regulation (EU) No 575/2013 on their websites.

(2) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in Part Eight of Regulation (EU) No 575/2013 and impose a requirement of more frequent reporting than annually.

### *Public disclosure of governance information*

#### Article 166

(1) Credit institutions shall disclose to the public the manner in which they comply with the provisions on:

1) the organisational structure in the manner prescribed in Article 102 of this Act and subordinate legislation adopted under Article 102, paragraph (3) of this Act;

2) the composition, duties and responsibilities of the management and supervisory board prescribed in Articles 35 to 49 of this Act;

3) the obligation of the supervisory board to establish a remuneration committee, a nomination committee and a risk committee in the manner prescribed in Articles 50 to 53 of this Act and subordinate legislation adopted under Article 50, paragraph (4) of this Act;

4) remuneration policies in the manner prescribed in subordinate legislation adopted under Article 100, paragraph (4) of this Act.

(2) Credit institutions shall publish and regularly update information referred to in this Article on their websites.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in this Article.

### *Public disclosure of organisational information*

#### Article 167

(1) An RC parent credit institution, an EU parent credit institution having its head office in the RC and the credit institution referred to in Article 97, paragraph (2) of this Act shall publish a description of the legal relationships within its group of credit institutions in the Republic of Croatia and a description of governance arrangements and organisational structure of its group of credit institutions in the Republic of Croatia. Instead of a detailed description, a credit institution may provide references to already published, equivalent information.

(2) Credit institutions shall disclose in their annual report among the key indicators their return on assets, calculated as their net profit divided by their total balance sheet.

(3) Credit institutions shall, at least annually, publish and regularly update the information referred to in this Article on their websites.

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in this Article.

## **XV RELATIONSHIP BETWEEN THE CROATIAN NATIONAL BANK AND EXTERNAL AUDITORS**

### *Audit requirements*

#### Article 168

(1) Annual financial statements of a credit institution, consolidated annual financial statements of a group of credit institutions in the Republic of Croatia and consolidated annual financial statements of the group, where group members include non-financial institutions, shall be subject to the statutory audit requirement for each business year.



(2) The audit referred to in paragraph (1) of this Article shall be carried out in accordance with the regulations of the Republic of Croatia and EU law governing accounting and auditing, unless otherwise provided for in this Act and regulations adopted under this Act.

### *Appointment of an audit firm*

#### Article 169

(1) The credit institution's management board shall deliver a decision to appoint an audit firm to the Croatian National Bank within eight days of the adoption of the decision.

(2) A credit institution may enter a contract for the provision of audit services only with an audit firm that meets the conditions referred to in Article 170, paragraph (2) of this Act.

(3) 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 the statutory audit, indicating the areas of operation in which statutory audits will be carried out and the methodology of statutory audits planned by individual area, as well as the envisaged duration of audit.

### *Restrictions on statutory audits*

#### Article 170

(1) An audit firm may carry out statutory audits of a particular credit institution for no more than seven consecutive years. The same audit firm may not carry out the statutory audit of the credit institution in the next four years.

(2) The statutory audit of a credit institution may be carried out only by the audit firm in which the audit is carried out by at least two certified auditors employed with the audit firm.

(3) The statutory audit of a credit institution and an audit for the purposes of the Croatian National Bank shall be carried out by the same audit firm.

(4) Exceptionally, in the case referred to in Article 174, paragraph (4), item (2) of this Act, a statutory audit of the credit institution and an audit for the purposes of the Croatian National Bank may be carried out by two different audit firms.

### *Protection of auditor independence*

#### Article 171

(1) In the event of the termination of a contract on the statutory audit, the credit institution and the audit firm shall, within an appropriate time limit, explain in writing the reasons for the termination of the contract to the Croatian National Bank, i.e. where the contract was terminated by one contractual party explain the reasons for termination, and the other contractual party shall explain the reasons for termination of the contract stipulated by the first party.

(2) The audit firm carrying out the statutory audit of a credit institution shall not directly or indirectly provide to the audited credit institution, its parent undertaking or undertakings under its control in the Member States any prohibited non-audit services referred to in Article 5, paragraph (1) of Regulation (EU) 537/2014 in:

1) the period between the beginning of the period audited and the issuing of the audit report;

and

2) the financial year immediately preceding the period referred to in item (1) of this paragraph in relation to the services of designing and implementing internal control or risk management procedures related to the preparation and /or control of financial information or designing and implementing financial information technology systems.

### *Obligations of audit firms*

#### Article 172

(1) An audit firm shall notify the Croatian National Bank in writing and without delay if it finds:

1) illegalities or facts and circumstances that could in any way jeopardise the ongoing functioning of the credit institution;

2) circumstances constituting the reasons for revocation of authorisation referred to in Article 69, paragraph (1) of this Act;

3) a material difference in the assessment of risks inherent in the credit institution's operation and the valuation of its on- and off-balance sheet items and profit and loss account items;

4) material breaches of internal bylaws;

5) major weaknesses in the organisation of internal control systems or failures in the implementation of internal control systems; or

6) facts that could result in a qualified opinion, an adverse opinion or a disclaimer of an opinion on the financial statements.

(2) An audit firm shall notify the Croatian National Bank in writing of any of the facts referred to in paragraph (1) of this Article of which it becomes aware in the course of the audit of financial statements of an undertaking controlled by the credit institution.

(3) The delivery to the Croatian National Bank of the information referred to in paragraphs (1) to (2) of this Article shall not constitute a breach of the auditor's duty to protect the confidentiality of information arising under the law governing audits or arising under the contract.

(4) If an audit firm notifies the Croatian National Bank of the facts and circumstances referred to in paragraph (1) of this Article in line with paragraph (2) of this Article, it shall at the same time notify the credit institution's management board thereof, except where it deems that there are reasonable grounds to prevent such notification.

(5) If an audit firm fails to notify the Croatian National Bank of the facts referred to in paragraph (1) of this Article, the Croatian National Bank may order the credit institution to appoint a new audit firm.

(6) The Croatian National Bank shall notify the authority competent for the supervision of persons certified to provide audit services under the law governing audits of the fact referred to in paragraph (5) of this Article.

### *Dismissal and refusal of annual financial statements*

#### Article 173

- (1) Where an audit firm carries out a statutory audit of a credit institution contrary to Article 170 of this Act, the Croatian National Bank shall dismiss the annual financial statements of a credit institution or the annual consolidated financial statements for the year in question.
- (2) Where the Croatian National Bank determines that the annual financial statements and annual consolidated financial statements have been prepared contrary to regulations or that they fail to provide a true and fair view of a financial position and performance of a credit institution or a group, or a group of credit institutions that received an unqualified or a qualified opinion in the audit report, it will refuse the annual financial statements or annual consolidated financial statements.
- (3) In the case referred to in paragraphs (1), (2) and (6) of this Article, the credit institution shall prepare its annual financial statements or annual consolidated financial statements again, ensure the statutory audit of these statements and deliver the audit report, including the relevant financial statements, to the Croatian National Bank within the time limit set in a decision by the Croatian National Bank. The new statutory audit shall not be carried out by the audit firm that issued an opinion on the annual financial statements or annual consolidated financial statements that were dismissed or refused.
- (4) The consequence of the dismissal referred to in paragraphs (1) and (6) of this Article or refusal referred to in paragraphs (2) and (6) of this Article shall be the dismissal of the assessment referred to in Article 174 of this Act. In that case the Croatian National Bank shall require from the credit institution that the assessment referred to in Article 174 of this Act be given by the certified auditors of another audit firm at the expense of the credit institution.
- (5) The Croatian National Bank shall without delay notify the authority competent for the supervision of persons certified to provide audit services under the law governing audit of the dismissal referred to in paragraph (1) of this Article or refusal referred to in paragraph (2) of this Article, explaining the reasons for dismissal or refusal.
- (6) Where the authority competent for the supervision of persons certified to provide audit services under the law governing audit determines that the audit report fails to meet the requirements of the law governing audit and Regulation (EU) No 537/2014, the Croatian National Bank may refuse or dismiss the annual financial statements or the annual consolidated financial statements of the credit institution for which that person carried out the statutory audit.
- (7) A credit institution shall not disclose annual financial statements or annual consolidated financial statements that have been dismissed or refused and shall ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed. Where annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, the credit institution shall without delay notify the Financial Agency and regulated securities markets where the securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been refused or dismissed by a decision of the Croatian National Bank. The credit institution shall without delay publish the same notification on its website.
- (8) The Croatian National Bank shall adopt subordinate legislation to further regulate the reasons for the refusal of annual financial statements of a credit institution or annual consolidated financial statements and further regulate the procedure of and the manner of application of the provisions of this Article.

## Article 174

(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 digital operational resilience and the adequacy of ICT risk management, in accordance with Regulation (EU) 2022/2554; 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 (satisfactory, mostly satisfactory, partly satisfactory, and 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 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) The refusal of the assessment referred to in paragraph (1) of this Article shall not result in the refusal of the annual financial statements or annual consolidated financial statements for that year which received an unqualified or a qualified opinion in the audit report.

(6) The provisions of Articles 168 to 173 of this Act shall apply *mutatis mutandis* to audits referred to in this Article.

(7) The Croatian National Bank may adopt subordinate legislation to further regulate 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.

## **XVI SUPERVISION OF CREDIT INSTITUTIONS**

### **XVI.1 GENERAL PROVISIONS**

#### *Supervision*

#### Article 175

(1) The Croatian National Bank shall be competent to exercise supervision of credit institutions by:

- 1) collecting and analysing reports and information, ongoing monitoring of the operation of credit institutions and other persons required to report to the Croatian National Bank pursuant to this Act and regulations adopted under this Act, other laws and regulations adopted under these laws or applicable regulations of the European Union;

- 2) carrying out on-site inspections of credit institutions' operation;
- 3) imposing supervisory measures (including supervisory measures in the early intervention phase); and
- 4) issuing opinions, authorisations and approvals and assessing credit institutions in accordance with this Act, Regulation (EU) No 575/2013, as well as other regulations of the European Union governing the operation of credit institutions.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions and methods of exercising supervision, the conditions and methods of imposing supervisory measures, as well as obligations of the credit institution's bodies in the course of and following supervision exercised by the Croatian National Bank.

(3) By way of derogation from paragraphs (1) and (2) of this Article, where resolution proceedings are opened against a credit institution, the Croatian National Bank shall not exercise regular supervision of the institution in question during the entire resolution proceedings or until the completion of resolution proceedings.

(4) Prior to conducting unannounced inspections of business premises, land and transport vehicles, the Croatian National Bank shall request from the High Administrative Court of the Republic of Croatia the order for conducting an unannounced inspection of business premises, land and transport vehicles, documents, deeds and objects found at these premises, as well as for sealing and temporarily seizing objects, especially where there is the danger of hiding or destroying evidence that is necessary to carry out the supervision referred to in Article 175 of this Act and where it can reasonably be assumed that such evidence will be found on a certain premises or with a certain person. Within the meaning of Regulation (EU) No 1024/2013, the Croatian National Bank shall also submit the request for such an order to the High Administrative Court of the Republic of Croatia when the order is requested by the European Central Bank.

### *Main objectives of supervision*

#### Article 176

The main objectives of supervision exercised by the Croatian National Bank shall be to maintain confidence in the Croatian banking system, and promote and safeguard its safety and stability.

### *Oversight of the implementation of other laws*

#### Article 177

(1) The Croatian National Bank shall exercise oversight of credit institutions with regard to the implementation of:

- Title XXIII of this Act governing consumer protection and regulations adopted under that Title of this Act;
- the Act on the Croatian National Bank and regulations adopted under that Act;
- the Payment System Act and regulations adopted under that Act;
- the Electronic Money Act and regulations adopted under that Act; and
- other laws and regulations adopted under these laws, for which it is competent under these laws.

(2) The provisions of this Act regarding supervision shall apply *mutatis mutandis* to the oversight procedure referred in paragraph (1) of this Article, unless otherwise prescribed by another law.

(3) When exercising the oversight referred to in paragraph (1) of this Article, the Croatian National Bank may, in addition to the measures laid down by the laws referred to in paragraph (1) of this Article, impose both supervisory and other measures laid down in this Act.

(4) When exercising the oversight referred to in paragraph (1) of this Article, the Croatian National Bank may employ other forms of oversight it deems appropriate in addition to those laid down in Article 175, paragraph (1) of this Act in order to verify the legality of operation.

### *Entities subject to supervision*

#### Article 178

(1) The following entities shall be subject to supervision:

1) credit institutions with head offices in the Republic of Croatia and their branches outside the Republic of Croatia;

2) branches of credit institutions with head offices in other Member States operating in the Republic of Croatia;

3) branches of credit institutions with head offices in third countries operating in the Republic of Croatia;

4) financial holding companies and mixed financial holding companies referred to in Title III.2a of this Act; and

5) credit institutions of the Member States in respect of their direct provision of services within the territory of the Republic of Croatia.

(2) For the purpose of supervising a credit institution, authorised persons of the Croatian National Bank referred to in Article 183, paragraph (2) of this Act may carry out examinations of the part of operation of persons having close links with the credit institution in question or persons to whom the credit institution has transferred a significant part of its business activities.

(3) Supervision of the operation of credit institutions may also be exercised by other institutions and supervisory authorities within the framework of their competence under law.

(4) Where a different supervisory authority is responsible for the supervision of one of the persons referred to in paragraph (2) of this Article, the Croatian National Bank may participate in the supervision of that person's operations with the respective supervisory authority or may require from that supervisory authority the data and information which would be relevant for the supervision of the credit institution in question.

(5) All provisions on the supervision of credit institutions shall apply *mutatis mutandis* to the supervision of credit institutions' representative offices operating within the territory of the Republic of Croatia.

(6) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

### *Collection of information by the Croatian National Bank*

#### Article 179



(1) Holders of qualifying holdings and persons having close links with a credit institution or persons to whom a credit institution has transferred a significant part of its business activities shall, at the request of the Croatian National Bank, deliver to it appropriate reports and information which would be relevant for the purpose of supervising the credit institution in question.

(2) For the purpose of exercising its powers, the Croatian National Bank may require the following persons to provide information, including information to be provided at recurring intervals and in specified formats:

- 1) credit institutions established in the Republic of Croatia;
- 2) financial holding companies established in the Republic of Croatia;
- 3) mixed financial holding companies established in the Republic of Croatia;
- 4) mixed-activity holding companies established in the Republic of Croatia;
- 5) persons belonging to the entities referred to in items (1) to (4) of this paragraph;
- 6) service providers to any of the persons referred to in items (1) to (4) of this paragraph, including ICT third-party service providers referred to in Chapter V of Regulation (EU) 2022/2554.

(3) To establish facts and circumstances regarding a person referred to in paragraph (2) of this Article, the Croatian National Bank may take the following actions, where necessary:

- 1) require the submission of documents from any legal or natural person for which the Croatian National Bank deems that it possesses relevant knowledge;
- 2) examine business books and documentation of any person referred to in paragraphs (1) and (2) of this Article, including the taking of copies of such books and documentation;
- 3) require written and oral explanations from any person referred to in paragraphs (1) and (2) of this Article, including their employees;
- 4) interview any other person who explicitly consents to be interviewed for the purpose of collecting information and for whom the Croatian National Bank deems that it possesses relevant knowledge.

(4) The Croatian National Bank may in particular request a written report or statement on the matters referred to in Article 153 of this Act from members of the credit institution's management or supervisory board or from other employees of the credit institution. 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.

(5) The Croatian National Bank may, subject to the other conditions set out in the regulations of the European Union, carry out an on-site inspection of a person referred to in paragraph (2) of this Article and, subject to the prior notification of the competent authorities concerned, any other undertaking included in supervision on a consolidated basis where the Croatian National Bank is the consolidating supervisor, at the head office and in other localities in which that person operates.

(6) The Croatian National Bank shall obtain appropriate authorisation by a judicial authority to carry out an on-site inspection referred to in paragraph (5) of this Article if such authorisation is required under national law of the country where the on-site inspection is carried out.

## XVI.2 SUPERVISION OF CREDIT INSTITUTIONS WITH HEAD OFFICES IN THE REPUBLIC OF CROATIA

### *Scope of supervision of credit institutions*

#### Article 180

(1) In the course of supervision, the Croatian National Bank shall verify the organisational structure, strategies, policies, processes and procedures adopted by the credit institution to comply with the provisions of this Act, except for the provisions of Title XXIII, with subordinate legislation adopted under this Act, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 and shall evaluate:

- a) risks to which the credit institution is or might be exposed;
- b) risks revealed by stress testing taking into account the nature, scale and complexity of a credit institution's activities;
- c) risks revealed by digital operational resilience testing in accordance with Chapter IV of Regulation (EU) 2022/2554.

(2) On the basis of the supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall determine whether the organisational structure, strategies, policies, processes and procedures implemented by the credit institution and the own funds and liquidity held by it ensure an adequate management and coverage of its risks.

(3) In establishing the frequency and intensity of the supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the size and systematic importance of the credit institution, the nature, scale and complexity of the activities of the credit institution concerned and the principle of proportionality, in accordance with the criteria disclosed under Article 215, paragraph (1), item (3) of this Act.

(4) The Croatian National Bank shall carry out the supervision referred to in paragraph (1) of this Article at least annually for each credit institution covered by the supervisory examination programme referred to in Article 182 of this Act.

(5) For the purposes of supervision, the Croatian National Bank shall carry out appropriate stress tests on credit institutions at least annually.

(6) The Croatian National Bank may adjust the method of exercising supervision for credit institutions with similar risk profiles (e.g. similar business models or geographical location of exposure) to credit institutions that are or might be exposed to similar risks or pose a similar risk to the financial system. The Croatian National Bank may, in exercising supervision of such credit institutions, also take into account the specific risks to the individual credit institution.

(7) The adjustment of the method of exercising supervision referred to in paragraph (6) of this Article shall not prevent the imposition of supervisory measures referred to in Article 224 of this Act on each individual credit institution covered by the methodology, which correspond to the risks to which the credit institution is exposed or might be exposed.

(8) If, in the exercise of supervision, and in particular in the assessment of governance arrangements, the business model, or the activities of a credit institution, the Croatian National Bank determines the circumstances that indicate the existence of reasonable grounds to suspect that, in connection with that credit institution, money laundering or terrorist financing is being or has been committed or attempted, or there is increased risk thereof, the Croatian National Bank shall notify the European Banking Authority and the competent supervisor responsible



for supervision in the area of the prevention of money laundering and terrorist financing, and shall notify their common assessment to the European Banking Authority.

(9) In the case referred to in paragraph (8) of this Article, the Croatian National Bank shall impose, if it deems it necessary, appropriate supervisory measures on a credit institution.

(10) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall adopt subordinate legislation to lay down additional prudential requirements and other limits determining special conditions for the operation of credit institutions.

### *Technical criteria for supervision*

#### Article 181

(1) In addition to credit, market and operational risks and their management, the supervision exercised by the Croatian National Bank shall include at least:

1) the results of the stress test carried out in accordance with Article 177 of Regulation (EU) No 575/2013;

2) the exposure to and management of concentration risk by credit institutions, including their compliance with the requirements set out in Part Four of Regulation (EU) No 575/2013 and the regulation adopted under Article 101, paragraph (2), item (1) of this Act;

3) the robustness, suitability and manner of application of the policies and procedures implemented by credit institutions for the management of the residual risk associated with the use of recognised credit risk mitigation techniques;

4) the extent to which the own funds held by a credit institution in respect of assets which it has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved;

5) the exposure to and management of liquidity risk by credit institutions, including the development of alternative scenario analyses, the management of risk mitigants (in particular the level, composition and quality of liquidity buffers) and effective contingency plans;

6) the impact of diversification effects and how such effects are factored in the risk measurement system;

7) the results of stress tests carried out by credit institutions using an internal model to calculate market risk own funds requirements under Part Three, Title IV, Chapter 5 of Regulation (EU) No 575/2013;

8) the geographical location of credit institutions' exposures;

9) the business model of the credit institution; and

10) the exposure of credit institutions to the interest rate risk arising from non-trading book activities.

(2) For the purposes of supervision referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall regularly carry out a comprehensive assessment of the overall liquidity risk management by credit institutions and promote the development of sound internal methodologies, having regard to the role played by credit institutions in the financial markets. The Croatian National Bank shall monitor developments in relation to liquidity risk profiles, for example product design and volumes, risk management, funding policies and funding concentrations. The Croatian National Bank shall take effective action where such developments may lead to individual institution or systemic instability.

(3) If, in the course of supervision, it is found that a credit institution has provided implicit support to a securitisation on more than one occasion, the Croatian National Bank shall impose supervisory measures on that credit institution reflective of the increased expectation that it will provide future support to its securitisation thus failing to achieve a significant transfer of risk.

(4) For the purposes of the determination to be made under Article 180, paragraph (3) of this Act, the Croatian National Bank shall consider whether the valuation adjustments taken for positions or portfolios in the trading book, as set out in Article 105 of Regulation (EU) No 575/2013, enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions.

(5) In the course of supervision, in addition to the requirements referred to in paragraph (1) of this Article, the Croatian National Bank shall include the following:

1) the exposure of credit institutions to the interest rate risk arising from non-trading book activities, and shall impose supervisory measures in the following cases:

– where an institution's economic value of equity set out in the manner as referred to in Article 103, paragraph (6) of this Act declines by more than 15% of its tier 1 capital as a result of a sudden and unexpected change in interest rates as set out in any of the six supervisory shock scenarios applied to interest rates; and

– where an institution's net interest income set out in the manner as referred to in Article 103, paragraphs (6) and (7) of this Act experiences a large decline as a result of a sudden and unexpected change in interest rates as set out in any of the two supervisory shock scenarios applied to interest rates;

2) the exposure of credit institutions to the risk of excessive leverage as reflected by indicators of excessive leverage, including the leverage ratio determined in accordance with Article 429 of Regulation (EU) No 575/2013. In determining the adequacy of the leverage ratio of credit institutions and of the organisational structure, strategies, policies, processes and procedures implemented by credit institutions to manage the risk of excessive leverage, the Croatian National Bank shall take into account the business model of those institutions;

3) governance arrangements of credit institutions, their corporate culture and values, and the ability of members of the management and supervisory board to perform their duties. Credit institutions shall provide the Croatian National Bank access to agendas and supporting documents for meetings of the management and supervisory board and supervisory board committees. Credit institutions shall also provide the Croatian National Bank access to the results of the internal or external evaluation of performance of the management and supervisory board members.

(6) By way of derogation from paragraph (5), item (1) of this Article, the Croatian National Bank shall not impose supervisory measures where, based on the review and evaluation, it establishes that:

– the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and

– the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(7) For the purposes of paragraphs (5) and (6) of this Article, in addition to the supervisory measures referred to in Article 224 of this Act, the Croatian National Bank may impose on a credit institution to use specific modelling and parametric assumptions, which are additional relative to the assumptions to be reflected by the credit institution in its calculation of the

economic value of equity in the context of the methodologies referred to in Article 103, paragraphs (6) and (7) of this Act.

### *Supervisory examination programme*

#### Article 182

(1) In accordance with the scope of supervision referred to in Article 180 of this Act, the Croatian National Bank shall, at least annually, adopt a supervisory examination programme for the credit institutions it supervises.

(2) The supervisory examination programme referred to in paragraph (1) of this Article shall contain:

1) a description of the manner in which the Croatian National Bank will exercise supervision and the manner in which it will allocate the resources at its disposal;

2) the names of credit institutions in which the Croatian National Bank intends to carry out enhanced supervision and the manner in which this enhanced supervision will be carried out; and

3) a plan of on-site inspections of credit institutions, including their branches and subsidiaries having their head offices in other Member States, in accordance with Articles 194, 281 and 291 of this Act.

(3) The supervisory examination programme of the Croatian National Bank shall include:

1) credit institutions the results of stress testing of which, whether such testing is conducted by the credit institution or the Croatian National Bank or examination findings of which point to significant risks that might affect their financial stability or point to a breach of the provisions of this Act or Regulation (EU) No 575/2013; and

2) any other credit institution for which the Croatian National Bank deems it to be necessary.

(4) Where it deems it necessary on the basis of the supervision referred to in Article 180 of this Act, the Croatian National Bank shall carry out enhanced supervision of a credit institution, among other things, so as to:

1) increase the number and frequency of on-site inspections of the credit institution;

2) appoint a trustee in accordance with the provisions of this Act;

3) require additional or more frequent reporting by the credit institution;

4) carry out additional or more frequent review of the operational, strategic or business plans of the credit institution; or

5) carry out supervision of a particular part of the operations and monitor risks that are likely to materialise.

(5) The Croatian National Bank may, in accordance with the provisions of this Act, carry out on-site inspections of branches of credit institutions from other Member States which provide services within the territory of the Republic of Croatia through branches, regardless of the supervisory examination programme of the competent authority of the home Member State.

### *Persons authorised to exercise supervision*

#### Article 183

(1) The supervision referred to in Article 175, paragraph (1), item (1) of this Act shall be exercised by employees of the Croatian National Bank (hereinafter referred to as 'persons authorised by virtue of their employment status').

(2) The supervision referred to in Article 175, paragraph (1), item (2) of this Act shall be exercised by employees of the Croatian National Bank authorised by the Governor of the Croatian National Bank (hereinafter referred to as 'authorised persons').

(3) Exceptionally, the Governor of the Croatian National Bank may authorise a certified auditor, an audit firm or other professionally qualified persons to carry out tasks related to on-site inspections of a credit institution's operation.

(4) When carrying out the tasks related to on-site inspections of credit institutions' operation for which they have been authorised by the Governor of the Croatian National Bank, the persons referred to in paragraph (3) of this Article shall have the same powers and responsibilities as authorised persons of the Croatian National Bank.

### *On-site inspection*

#### Article 184

(1) A credit institution shall enable authorised persons, at their request, to carry out an on-site inspection at the head office of the credit institution and in other localities in which the credit institution or another person with its authorisation carries out activities and operations subject to the supervision of the Croatian National Bank.

(2) A credit institution shall enable authorised persons, at their request, to carry out an examination of business books, business documentation, and administrative or business records as well as an examination of information and related technologies, to the extent necessary for an individual examination.

(3) A credit institution shall deliver to authorised persons, at their request, computer print-outs, copies of business books, business documentation, and administrative or business records in a paper form or in the form of an electronic record in the medium and format required by the authorised persons. The credit institution shall provide authorised persons with a standard interface providing access to the system for database management used by the credit institution, for the purpose of carrying out an examination supported by computer programmes.

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

### *Notification of an on-site inspection*

#### Article 185

(1) The Croatian National Bank shall deliver a notification of an on-site inspection to a credit institution at least eight days before the beginning of the on-site inspection. The notification shall include the subject of supervision, details about the planned beginning and duration of the on-site inspection, the name of the head of the on-site inspection, the number of authorised persons carrying out the examination and information on what the credit institution should prepare for authorised persons for the purpose of carrying out the on-site inspection.

(2) By way of derogation from the provision of paragraph (1) of this Article, authorised persons may deliver the notification of an on-site inspection as late as the beginning of the on-site inspection.

### *Conditions for carrying out on-site inspections*

#### Article 186

(1) A credit institution shall provide authorised persons with adequate premises in which they can carry out an on-site inspection without disturbance and without the presence of other persons.

(2) In the course of an on-site inspection, a credit institution shall ensure the presence of the credit institution's authorised persons in the premises referred to in paragraph (1) of this Article, who may, at the request of authorised persons of the Croatian National Bank, provide appropriate explanations concerning the business books, business documentation, business events, and administrative or business records subject to supervision.

### *Examination of computerised business books and records*

#### Article 187

(1) A credit institution which processes data by computer or keeps its business books and other records by computer shall, at the request of authorised persons, ensure the conditions and adequate means of support for the examination of business books and records, and the possibility of examining whether the computerised data have been appropriately processed.

(2) A credit institution shall submit to authorised persons documentation that provides a complete description of the accounting system's operation. The documentation must provide a clear view of the subsystems and databases of the accounting system. The documentation must enable authorised persons to gain an insight into:

- 1) programme solutions;
- 2) processing procedures for data processed by computer;
- 3) controls ensuring appropriate data processing; and
- 4) controls ensuring data confidentiality, integrity and availability.

### *Ongoing review of the permission to use internal approaches*

#### Article 188

(1) The Croatian National Bank shall review on a regular basis, and at least every three years, credit institutions' compliance with the requirements regarding prior permission to use internal approaches for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013. It shall have particular regard to changes in a credit institution's business and to the implementation of those approaches to new products.

(2) Where in the procedure referred to in paragraph (1) of this Article the Croatian National Bank identifies material deficiencies in risk capture by a credit institution's internal approach, it shall impose appropriate supervisory measures on a credit institution to eliminate such

deficiencies or to mitigate their consequences, including by imposing higher multiplication factors, or imposing capital add-ons.

(3) The Croatian National Bank shall in particular review and assess whether the credit institution uses well developed and up-to-date techniques and practices for internal approaches.

(4) If the procedure referred to in paragraph (1) of this Article indicates that an internal model used by the credit institution for the calculation of own funds requirements for market risks is not or is no longer sufficiently accurate due to numerous overshootings referred to in Article 366 of Regulation (EU) No 575/2013, the Croatian National Bank shall revoke the permission for using the internal model or impose appropriate supervisory measures to ensure that the model is improved as soon as possible.

(5) If a credit institution has received permission to apply an internal approach for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013 but does not meet the requirements for applying that approach any more, the Croatian National Bank shall require the credit institution to either demonstrate that the effect of non-compliance is immaterial where applicable in accordance with Regulation (EU) No 575/2013 or present a plan for the timely restoration of compliance with the requirements and set a deadline for its implementation. The Croatian National Bank shall require improvements to that plan if it is unlikely to result in full compliance or if the deadline is inappropriate.

(6) If, in the case referred to in paragraph (5) of this Article, the credit institution is unlikely to be able to restore compliance within an appropriate deadline and, where applicable, has not satisfactorily demonstrated that the effect of non-compliance is immaterial, the Croatian National Bank shall revoke a decision on the permission to use the internal approach or shall change it so as to limit the permission to compliant areas or those where compliance can be achieved within an appropriate deadline.

(7) In the course of the review referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the analysis and benchmarks provided by the European Banking Authority.

### *Supervisory benchmarking of internal approaches for calculating own funds requirements*

#### Article 189

(1) Credit institutions which are in accordance with Regulation (EU) No 575/2013 permitted to use internal approaches for the calculation of risk weighted exposure amounts or own funds requirements except for operational risk shall report to the Croatian National Bank and the European Banking Authority the results of the calculations of their internal approaches for their exposures or positions that are included in the benchmark portfolios. Credit institutions shall in their reports submit the results of their calculations, together with an explanation of the methodologies used to produce them.

(2) The benchmark portfolio referred to in paragraph (1) of this Article shall be determined by a technical standard adopted by the European Commission. The Croatian National Bank may adopt subordinate legislation to further regulate the content of the reports referred to in paragraph (1) of this Article, and the method of and time limits for their submission and may prescribe specific portfolios for which own funds requirements are calculated.

(3) Before determining the specific portfolio referred to in paragraph (2) of this Article, the Croatian National Bank shall consult the European Banking Authority.

(4) Where the Croatian National Bank identifies that internal models used by a credit institution lead to an underestimation of own funds requirements which is not attributable to differences of the underlying risks or the exposures or positions, it shall impose necessary measures on that credit institution.

(5) The necessary measures referred to in paragraph (4) of this Article must comply with the objectives of an internal approach and therefore may not:

- a) lead to standardisation of approaches or to the use of preferred methods;
- b) create wrong incentives; or
- c) cause herd behaviour.

### *End of an examination of a credit institution*

#### Article 190

(1) A report on examination findings shall be prepared following the examination of a credit institution's operations referred to in Article 175, paragraph (1), items (1) and (2).

(2) Following an examination of a credit institution, the Croatian National Bank may impose supervisory measures on the credit institution pursuant to the provisions of this Act.

(3) By way of derogation from the provisions of paragraph (1) of this Article, a report on examination findings shall not be prepared where the examination has been carried out in accordance with the provisions of Article 175, paragraph (1), item (1) of this Act and where no illegalities in the credit institution's operation have been identified.

(4) By way of derogation from the provisions of paragraph (1) of this Article, the Croatian National Bank shall not issue the report in the procedures it is implementing with the aim to assess the internal approaches and their planned change, and carrying out the ongoing review of permitted internal approaches.

## XVI.2.1 SUPERVISION OF CREDIT INSTITUTIONS PROVIDING SERVICES IN ANOTHER MEMBER STATE THROUGH BRANCHES OR DIRECTLY

### *Cooperation as regards the supervision of credit institutions providing services in the territories of other Member States through branches*

#### Article 190a

(1) The Croatian National Bank shall cooperate with the competent authority of the host Member State in the supervision of a credit institution providing services within the territory of that Member State through a branch.

(2) The Croatian National Bank shall deliver to the competent authority of the host Member State:

- 1) all information concerning the management and ownership structure of a credit institution that is likely to facilitate supervision;

2) all information concerning the examination of the conditions governing the issue of authorisations or approvals of other supervisory authorities; and

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

(3) The Croatian National Bank shall without delay provide the competent authorities of host Member States with any information and findings pertaining to liquidity supervision in accordance with Part Six of Regulation (EU) No 575/2013 and the provisions of this Act governing supervision on a consolidated basis of the activities performed by the credit institution through its branches, to the extent that such information and findings are relevant to the protection of depositors or investors in the host Member State.

(4) The Croatian National Bank shall without delay notify the competent authorities of all host Member States where liquidity stress occurs or can reasonably be expected to occur in a credit institution. That notification shall also include details about the planning and implementation of a recovery plan and about any supervisory measures taken in this regard.

(5) The Croatian National Bank shall, at the request of the competent authorities of a host Member State, explain the manner in which it took into consideration the received information and findings delivered by that competent authority of a host Member State. Where, following communication of information and findings, the competent authorities of the host Member State maintain that no appropriate measures have been taken by the Croatian National Bank, the competent authorities of the host Member State may, after notifying the Croatian National Bank and the European Banking Authority, take appropriate measures to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(6) Where the Croatian National Bank as the competent authority of the home Member State disagrees with the measures referred to in paragraph (5) of this Article taken or intended by the competent authorities of the host Member State, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19. Regulation (EU) 1093/2010. The European Banking Authority shall take a decision within one month.

(7) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

### *On-site inspection of the branch in the host Member State*

#### Article 191

(1) The Croatian National Bank or persons it has authorised for individual supervisory tasks may carry out an on-site inspection, including the verification of the information referred to in Article 190a of this Act, of the credit institution operating within the territory of another Member State through a branch after notifying in advance the competent authority of the host Member State.

(2) The Croatian National Bank may request the competent authority of the host Member State in which the credit institution provides services to carry out an on-site inspection of that credit



institution's branch or appoint a certified auditor or another professionally qualified person to carry out an on-site inspection of the branch.

(3) The Croatian National Bank may participate in an on-site inspection of the credit institution's branch situated in a Member State regardless of who carries out the on-site inspection.

(4) Where the competent authorities of the host Member State carried out an on-site inspection of a branch of a credit institution having its head office in the Republic of Croatia for reasons of stability of the financial system in the host Member State and submitted to the Croatian National Bank the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the host Member State, the Croatian National Bank shall duly take into account that information and those findings in determining its supervisory examination programme referred to in Article 182 of this Act, also having regard to the stability of the financial system in the host Member State.

*Measures against branches situated in host Member States as regards the provision of services within the territory of that Member State*

Article 192

(1) Where the competent authority of the host Member State in which a credit institution provides services through a branch, on the basis of information received from the Croatian National Bank in accordance with Article 190a of this Act, notifies the Croatian National Bank that the credit institution concerned, in connection with the provision of services within the territory of that Member State, does not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013, the Croatian National Bank shall, unless a decision to introduce reorganisation measures is adopted in the Republic of Croatia, without delay impose supervisory measures on the credit institution to remedy its non-compliance or measures to avert the risk of non-compliance and shall notify the competent authorities of the host Member State without delay.

(2) Where the competent authority of the host Member State considers that the Croatian National Bank has not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article 19, paragraph (3) of the Regulation within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) 1093/2010 assist in reaching an agreement.

(3) Where the competent authority of the host Member State in which a credit institution provides services through a branch has taken precautionary measures in connection with non-compliance referred to in paragraph (1) of this Article, and the Croatian National Bank disagrees with the measures taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article 19, paragraph (3) of the Regulation within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) 1093/2010 assist in reaching an agreement.

## *Notification to competent authorities of host Member States*

### Article 193

Where the Croatian National Bank revokes authorisation to provide banking and/or financial services of a credit institution or prohibits the credit institution from providing individual financial services by imposing a supervisory measure, it shall without delay notify the competent authority of the host Member States.

## *Supervision of credit institutions directly providing services in another Member State and financial institutions providing mutually recognised services within the territory of another Member State*

### Article 193a

- (1) The provisions of Articles 190a to 193 of this Act shall apply *mutatis mutandis* to the supervision of credit institutions directly providing services in another Member State.
- (2) The provisions of this Title shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of another Member State in accordance with Article 84 of this Act.

## XVI.3 SUPERVISION OF CREDIT INSTITUTIONS OF OTHER MEMBER STATES PROVIDING SERVICES IN THE REPUBLIC OF CROATIA THROUGH BRANCHES OR DIRECTLY

### *Powers of supervision*

#### Article 194

- (1) The supervision of the compliance of branches of credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia with the regulation transposing Directive 2013/36/EU, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 shall be exercised by the competent authority of the home Member State.
- (2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank shall be competent to exercise supervision of branches of credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia, in accordance with the powers referred to in this Title.

### *Powers to collect information and carry out on-site inspections of branches*

#### Article 194a

- (1) A branch of a credit institution having its head office in another Member State which provides mutually recognised services within the territory of the Republic of Croatia shall deliver to the Croatian National Bank information on all services that the branch provides within the territory of the Republic of Croatia in the manner and within time limits provided for in the subordinate legislation referred to in Article 162, paragraph (2) of this Act.

(2) The Croatian National Bank shall be empowered to use the information collected pursuant to paragraph (1) of this Article:

1) for information or statistical purposes;

2) to decide on the designation of a branch as being significant in accordance with the provisions of this Act; and

3) to exercise supervision in accordance with the provisions of this Title.

(3) The Croatian National Bank shall be bound by the duty to protect the confidentiality of the information collected pursuant to Article 201 and Articles 206 to 215 of this Act.

(4) Where a branch of a credit institution having its head office in another Member State operates within the territory of the Republic of Croatia, the competent authority of the home Member State may:

1) carry out an on-site inspection of the branch including the information referred to in Article 194a of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank in advance; or

2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out an on-site inspection of the branch of a credit institution of that Member State within the territory of the Republic of Croatia.

(5) In the case referred to in paragraph (4), item (2) of this Article, the competent authority of the home Member State may participate in the on-site inspection of the branch of a credit institution from another Member State carried out by the Croatian National Bank or a person authorised by the Croatian National Bank.

(6) The Croatian National Bank may carry out an on-site inspection of a branch of a credit institution from another Member State and request all information on its operation, as well as information necessary for its supervision, where this is necessary for the purpose of maintaining the stability of the financial system of the Republic of Croatia. Before carrying out the examination from this paragraph, the Croatian National Bank shall consult the competent authorities of the home Member State.

(7) After the on-site inspection referred to in paragraph (6) of this Article, the Croatian National Bank shall communicate to the competent authorities of the home Member State the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the Republic of Croatia.

(8) The on-site inspection of a branch of a credit institution from another Member State shall be carried out in accordance with the regulations of the Republic of Croatia.

(9) When imposing measures against branches of credit institutions of other Member States, the Croatian National Bank shall not apply discriminatory or restrictive treatment on the basis that a credit institution is authorised in another Member State.

*Cooperation as regards the supervision of credit institutions having their head offices in another Member State that provide services within the territory of the Republic of Croatia*

Article 194b

(1) The Croatian National Bank shall cooperate with the competent authority of the home Member State in the supervision of a credit institution having its head office in another Member State that provides services within the territory of the Republic of Croatia through a branch.

(2) The Croatian National Bank and the competent authority of the home Member State, in addition to other reporting obligations under this Act, shall exchange:

1) all information concerning the management and ownership structure of a credit institution referred to in paragraph (1) of this Article that is likely to facilitate supervision;

2) all information concerning the examination of the conditions governing the issue of authorisations or approvals of competent authorities of the home Member State; and

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

(3) The Croatian National Bank may request from the competent authority of the home Member State an explanation of the manner in which it took into consideration the information and findings it communicated to it in relation to the operation of the credit institution referred to in paragraph (1) of this Article. Where, following communication of information and findings, the Croatian National Bank maintains that no appropriate measures have been taken by the competent authority of the home Member State, the Croatian National Bank may, after notifying the competent authority of the home Member State and the European Banking Authority, take appropriate measures to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(4) Where the competent authority of the home Member State disagrees with the measures referred to in paragraph (3) of this Article taken or intended by the Croatian National Bank, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010.

(5) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

*Supervisory measures of the competent authority of the home Member State in relation to the services provided in the Republic of Croatia*

Article 195

(1) Where the Croatian National Bank on the basis of the information referred to in Article 162, paragraph (2), Articles 194 and 194a of this Act establishes that a credit institution of another Member State which provides services in the Republic of Croatia does not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013, all in relation to the services the credit institution provides in the Republic of Croatia, the Croatian National Bank will notify the competent authority of the home Member State thereof.

(2) Where the Croatian National Bank considers that the competent authorities of the home Member State have not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) in which case the European Banking Authority shall take a decision in accordance with paragraph (3) of the same Article within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) 1093/2010 assist in reaching an agreement.

### *Precautionary measures*

#### Article 196

(1) Before initiating the procedure referred to in Article 195 of this Act and before the adoption of measures by the competent authorities of the home Member State or reorganisation measures referred to in the regulations governing compulsory winding-up of credit institutions, the Croatian National Bank shall, in emergency situations, impose precautionary measures, where it assesses this is necessary to prevent financial instability that might seriously threaten the common interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia. The Croatian National Bank shall without delay notify the competent authorities of the home Member State in question, the European Banking Authority and the European Commission of precautionary measures taken.

(2) The precautionary measures referred to in paragraph (1) of this Article shall be proportionate to their purpose to protect against financial instability that might threaten the common interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia. Precautionary measures may include a suspension of payment. When imposing the precautionary measures referred to in paragraph (1) of this Article, the Croatian National Bank shall take account that creditors in the Republic of Croatia of the credit institution with a head office in another Member State which provides services in the Republic of Croatia are not put in a less favourable position than creditors of the same credit institution from other Member States.

(3) Any precautionary measure referred to in paragraph (1) of this Article shall cease to have effect when the administrative, public or judicial authorities of the home Member State adopt a decision on reorganisation measures referred to in the regulations governing compulsory winding-up of credit institutions.

(4) The Croatian National Bank shall terminate the implementation of the precautionary measures referred to in paragraph (1) of this Article if it considers those measures to have become obsolete because the competent authorities of the home Member State have acted pursuant to the notification referred to in Article 195, paragraph (1) of this Act, unless they cease to have effect in accordance with paragraph (3) of this Article.

(5) The competent authority of the home Member State or any other Member State affected by the measure referred to in paragraph (1) of this Article may refer the matter to the European Authority and request its assistance in accordance with Article 19 of Regulation (EU) in which case the European Banking Authority shall take a decision in accordance with paragraph (3) of the same Article within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) 1093/2010 assist in reaching an agreement.



*Actions for preventing or punishing breaches and protecting the general good*

Article 197

(1) By way of derogation from the provisions of Articles 195 and 196 of this Act, the Croatian National Bank may, within its powers under this Act, take actions for preventing or punishing breaches committed within the territory of the Republic of Croatia of the provisions of this Act or subordinate legislation transposing Directive 2013/36/EU or regulations adopted for the protection of the general good in the Republic of Croatia, for the oversight of which it is competent pursuant to these regulations. These actions may include preventing the branch of a credit institution from another Member State to conclude new legal transactions within the territory of the Republic of Croatia.

(2) The provisions of Articles 621 to 623 of the Companies Act on the dissolution of companies shall apply *mutatis mutandis* to the dissolution of branches and the Croatian National Bank shall, in addition to the Government of the Republic of Croatia, act as an authorised prosecutor.

*Measures following the withdrawal of authorisation*

Article 197a

The Croatian National Bank shall take appropriate measures to prevent a branch of a credit institution of another Member State which provides services in the Republic of Croatia, if the competent authorities of the home Member state revoked the founder's authorisation, from initiating further transactions within the territory of the Republic of Croatia in order to protect the interests of depositors.

*Supervision of credit institutions of other Member States directly providing services in the Republic of Croatia and financial institutions providing mutually recognised services within the territory of the Republic of Croatia*

Article 198

(1) The provisions of Articles 193b to 197a of this Act shall apply *mutatis mutandis* to the supervision of credit institutions of other Member States directly providing services in the Republic of Croatia.

(2) The provisions of this Title shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of the Republic of Croatia in accordance with Article 84 of this Act.

**XVI.4 SUPERVISION OF BRANCHES OF THIRD-COUNTRY CREDIT INSTITUTIONS PROVIDING SERVICES IN THE REPUBLIC OF CROATIA**

*Supervision of branches of third-country credit institutions providing services in the Republic of Croatia*

Article 199

(1) The Croatian National Bank shall exercise supervision of branches of third-country credit institutions providing services in the Republic of Croatia in accordance with the method and scope of supervision of credit institutions with head offices in the Republic of Croatia.

(2) For the purpose of ensuring that all activities of a third-country group in the European Union are subject to comprehensive supervision, preventing the avoidance of the application of requirements applicable to such groups under this Act and Regulation (EU) No 575/2013 and preventing any adverse effects on financial stability of the European Union in exercising supervision of the operation of a branch of a third-country credit institution, the Croatian National Bank shall cooperate with other competent authorities responsible for the supervision of any member of that group.

## XVI.5 SUPERVISION FEES

### *Annual supervision fees*

#### Article 200

For exercising the supervision referred to in Article 11a and 175 of this Act, credit institutions with head offices in the Republic of Croatia and branches of credit institutions with head offices outside the Republic of Croatia shall pay supervision fees to the Croatian National Bank. The Croatian National Bank shall regulate the amount, the basis for and the method of calculating and paying supervision fees in subordinate legislation.

## **XVII COOPERATION WITH COMPETENT AUTHORITIES AND EXCHANGE OF INFORMATION**

### *Cooperation between the competent and supervisory authorities of the Republic of Croatia*

#### Article 201

(1) The Croatian National Bank, the Croatian Financial Services Supervisory Agency and supervisory authorities in the Republic of Croatia shall, at the request of an individual competent authority, deliver to that authority all information on a credit or financial institution or an investment firm necessary for the exercise of supervisory and oversight tasks with regard to the credit or financial institution or the investment firm, in authorisation or approval procedures, or when deciding on other specific applications or requests within their competence.

(2) The authorities referred to in paragraph (1) of this Article shall notify each other of revocation of authorisations, illegalities and irregularities identified in the course of supervision and oversight, and of imposed measures for their elimination if such findings and imposed measures are relevant for the operation of the other authority.

(3) Where authorities other than the competent authority have resolution powers, the Croatian National Bank and those other authorities shall cooperate closely and consult each other in the preparation of the resolution plan, as well as in all other situations in which this Act and the national regulations transposing Directive 2013/36/EU, Directive 2014/59/EU or Regulation (EU) No 575/2013 require cooperation and consultation between them.

#### Article 202

*Deleted.*

*Deciding on the status of a significant branch operating within the territory of the  
Republic of Croatia*

Article 203

(1) The Croatian National Bank may make a request to the consolidating supervisor for a branch of a credit institution from that Member State which provides services within the territory of the Republic of Croatia to be considered as significant. Where the credit institution from the Member State is not a member of a group of credit institutions in the EU, the Croatian National Bank shall make the request to the competent authority of the home Member State.

(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 the credit institution in terms of deposits as defined in the law governing deposit insurance exceeds 2% in the Republic of Croatia;

2) the likely impact of a suspension or closure of the operations of the credit institution on systemic market liquidity and the payment, 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) The Croatian National Bank, the competent authorities of the home Member State and, where determined, the consolidating supervisor shall cooperate in reaching a joint decision on the designation of a branch as being significant.

(4) Where the decision referred to in paragraph (3) of this Article is not reached 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.

(5) The decisions referred to in paragraphs (3) and (4) of this Article shall be determinative for the competent authorities concerned, they must be written and fully reasoned, and delivered to these authorities.

(6) The adoption of the decisions referred to in paragraphs (3) and (4) of this Article shall not affect the responsibilities of the other competent authorities under this Act.

(7) Where the competent authority of the home Member State has not consulted the Croatian National Bank regarding the operational steps prescribed for liquidity recovery plans taken by the competent authority, or where the Croatian National Bank after having carried out the consultations deems that the operational steps taken by the competent authority of the home Member States are not adequate, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010.

(8) The Croatian National Bank will cooperate with the competent authorities of the home Member State in which the credit institution from a Member State has a significant branch in the RC when planning and coordinating the activities referred to in Article 282, paragraph (1), item (3) of this Act.

(9) The Croatian National Bank shall cooperate in the college of supervisors for significant branches of credit institutions from a Member State providing services within the territory of



the Republic of Croatia that has been established by the competent authority of the home Member State for the purpose of cooperation laid down in Article 194a and Article 282, paragraph (1), item (3) of this Act and the exchange of information referred to in Article 288, paragraph (5), item (3) and (4) of this Act, if the competent authority of the home Member State decides to invite the Croatian National Bank to participate in the college.

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

Article 204

- (1) If the Croatian National Bank as a consolidating supervisor receives a request from the competent authorities of another Member State to consider a branch of a credit institution providing services within the territory of that Member State 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 the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the information referred to in Article 288, paragraph (5), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 282, paragraph (1), 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 without delay notify the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act and the European Systemic Risk Board.
- (6) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established:
  - 1) the risk assessment of a credit institution which has a significant branch on an individual or consolidated basis in accordance with Article 180, paragraph (1) and Article 181, paragraph (1) of this Act and, where applicable, the risk assessment referred to in Article 284, paragraphs (2) and (3) of this Act;
  - 2) decisions on imposed supervisory measures referred to in Articles 224 and 225 of this Act in so far as those assessments are relevant to that branch; and
  - 3) decisions regarding internal model validation in so far as those decisions are relevant for that branch.
- (7) The Croatian National Bank shall consult the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of

Croatia is established about operational steps required by liquidity recovery plans, where relevant for liquidity risks in the host Member State's currency.

### *Establishment of a college of supervisors for significant branches*

#### Article 205

(1) Where a college of supervisors referred to in Article 283 of this Act has not been established and a credit institution having its head 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 190a and Article 282, paragraph (1), item (3) and the exchange of information referred to in Article 288, paragraph (5), 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 consulting the 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 and obligations referred to in Article 204 of this Act.

(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.

### *Duty to protect the confidentiality of information*

#### Article 206

(1) Employees of the Croatian National Bank, auditors or other experts who work or have worked under authorisation of the Croatian National Bank shall be bound by the duty to protect the confidentiality of all information relating to the supervision of credit institutions of which they become aware in the course of work on behalf of the Croatian National Bank.

(2) The persons referred to in paragraph (1) of this Article shall not divulge confidential information to any person or government body whatsoever, except in summary or collective form, such that individual credit institutions cannot be identified.

(3) The duty to protect the confidentiality of information referred to in paragraph (1) of this Article shall not refer to:

1) the delivery of confidential information divulged for the purposes of the State Attorney's Office of the Republic of Croatia and the delivery of confidential information to the Office for the Prevention of Corruption and Organised Crime and to the Ministry of the Interior in the criminal or preliminary proceedings, when requested or ordered in writing by the State Attorney's Office of the Republic of Croatia, by the competent court or the competent authority of another Member State;

2) the delivery of confidential information in cases where compulsory winding-up proceedings have been initiated against a credit institution or in related court proceedings, with the exception of those concerning natural or legal persons involved in attempts to reorganise that credit institution;

3) the public disclosure referred to in Article 215 of this Act;

4) communicating the results of stress tests carried out in accordance with Article 180, paragraph (5) of this Act or Article 32 of Regulation (EU) 1093/2010; or

5) requests of the European Parliament based on the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

(4) By way of derogation from paragraphs (1) to (3) of this Article, the Croatian National Bank may exchange confidential information with the competent authorities of other Member States or communicate information to the European Banking Authority, the European Systemic Risk Board or the European Securities and Markets Authority in accordance with this Act, Regulation (EU) No 575/2013, Regulation (EU) 2019/2033 and other applicable regulations of the European Union. The duty to protect the confidentiality of information shall also relate to this method of exchanging information.

### *Use of confidential information*

#### Article 207

The Croatian National Bank may use confidential information of which it becomes aware in the course of supervision or other activities within its competence for the following purposes only:

- 1) to check that the conditions governing the issue of authorisations or approvals on which it decides pursuant to this Act are met;
- 2) to exercise supervision, on a non-consolidated and/or consolidated basis, of credit institutions, in particular with regard to the monitoring of liquidity, solvency, large exposures, administrative and accounting procedures, and internal control systems, as well as to impose supervisory measures and early intervention measures;
- 3) to exercise its resolution powers;
- 4) in misdemeanour proceedings;
- 5) in administrative court proceedings against decisions of the Croatian National Bank;
- 6) in other court proceedings related to breaches of the regulations of the European Union governing the operation of credit institutions; or
- 7) to meet the requests of the European Parliament based on the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

### *Exchange of information between authorities*

#### Article 208

(1) The Croatian National Bank may communicate confidential information to the following persons in the Republic of Croatia or in the Member States for the purpose of exercising supervision, oversight and other activities for which they are responsible:

- 1) authorities responsible for the supervision of credit institutions and investment firms and other authorities responsible for the supervision of financial institutions, insurance undertakings, reinsurance undertakings, and financial markets;
- 2) authorities responsible for maintaining financial stability through the use of macroprudential regulations;

- 3) authorities carrying out reorganisation measures, as defined in the regulation governing compulsory winding-up of credit institutions, for the purpose of maintaining financial stability;
  - 4) courts and other bodies or legal persons responsible for the operations involved in the winding-up of credit institutions and in other similar proceedings for the purpose of performing their duties under law;
  - 5) auditors responsible for carrying out audits of investment firms and credit and financial institutions for the purpose of performing their duties under law;
  - 6) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;
  - 7) bodies which administer deposit insurance schemes and investor compensation schemes;
  - 8) resolution authorities and the Ministry of Finance pursuant to the Act on the Resolution of Credit Institutions and Investments Firms;
  - 9) authorities responsible for supervising credit and financial institutions subject to the application of regulations governing the prevention of money laundering and terrorist financing for compliance with those regulations;
  - 10) financial intelligence units pursuant to regulations governing the prevention of money laundering and terrorist financing; and
  - 11) authorities responsible for the application of rules governing the structural separation within a banking group.
- (2) Persons to whom the Croatian National Bank delivers confidential information in accordance with paragraph (1) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

### *Exchange of information with oversight authorities*

#### Article 209

- (1) By way of derogation from the provisions of Articles 206, 207 and 212 of this Act and by way of derogation from the provisions by which Articles 53, 54 and 55 of Directive 2013/36/EU have been transposed into the national law of the Member States, the Croatian National Bank shall exchange confidential information with the authorities in the Republic of Croatia or other Member States responsible for supervising:
- 1) the authorities involved in the winding-up of credit institutions and in other similar proceedings;
  - 2) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;
  - 3) auditors responsible for carrying out audits of credit institutions, investment firms, insurance undertakings and financial institutions.
- (2) The Croatian National Bank shall exchange confidential information with the authorities referred to in paragraph (1) of this Article if the following conditions are met:
- 1) the information is provided only for the purpose of performing the oversight tasks of these authorities;
  - 2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 206 of this Act; and

3) the information that originates in another Member State may not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

(3) By way of derogation from the provisions of Articles 206, 207 and 212 of this Act and by way of derogation from the provisions by which Articles 53, 54 and 55 of Directive 2013/36/EU have been transposed into the national law of the Member States, the Croatian National Bank may, with the aim of strengthening the stability and safeguarding the integrity of the financial system, exchange information with other competent authorities and institutions in the Republic of Croatia and the Member States which are responsible under law for procedures connected to breaches of company law, when requested or ordered in writing by the competent court. The Croatian National Bank shall disclose confidential information to these authorities and bodies if the following conditions are met:

1) the information is divulged only in connection to breaches of company law;

2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 206 of this Act; and

3) the information that originates in another Member State may not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

(4) Where the authorities referred to in paragraph (1) of this Article perform their tasks with the aid of persons not employed in the public sector, the Croatian National Bank may exchange the information referred to in paragraph (3) of this Article with such persons under the conditions specified in that paragraph.

(5) The authorities and bodies referred to in paragraph (3) of this Article shall communicate to the Croatian National Bank the names and precise responsibilities of the persons to whom it is to be sent.

*Exchange of information concerning monetary policy, deposit insurance, systemic risk and payment system aspects*

Article 210

(1) The Croatian National Bank shall communicate confidential information to the following authorities or bodies in the Republic of Croatia or in other Member States for the purposes of their tasks:

1) central banks of the European System of 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, and in particular in emergency situations referred to in Article 286 of this Act, when this information must be communicated without delay;

2) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

3) other public authorities responsible for overseeing payment systems; and

4) the European Systemic Risk Board, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, where the information is relevant

for the exercise of their tasks under Regulations (EU) No 1092/2010, (EU) No 1094/2010 or (EU) No 1095/2010.

(2) The Croatian National Bank may request information from the authorities or bodies referred to in paragraph (1) of this Article when such information is necessary for the purpose of exercising supervision or other activities within its competence in accordance with Article 207 of this Act.

(3) The persons referred to in this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

### *Exchange of information with other entities*

#### Article 211

(1) The Croatian National Bank may communicate confidential information to the ministry responsible for finance or other government bodies responsible for proposing legislation on the supervision of credit institutions, financial institutions, investment firms and insurance undertakings where necessary for the purpose of exercising supervision within their competence, and for the implementation or precautionary and resolution actions for failing credit institutions.

(2) In an emergency situation as referred to in Article 286, paragraph (1) of this Act, the Croatian National Bank shall communicate information which is relevant to the entities referred to in paragraph (1) of this Article from all Member States concerned.

(3) The Croatian National Bank may communicate confidential information relating to the prudential supervision to enquiry committees of the Croatian Parliament, the State Audit Office, and other entities in charge of enquiries if all the following conditions are met:

1) that the entities have a precise mandate under national law to investigate or scrutinise the actions of the Croatian National Bank in the exercise of supervision of credit institutions;

2) that the information is strictly necessary for fulfilling the mandate of these entities;

3) employees or members of the entities are subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act;

4) where the confidential information originates in another Member State, it may not be disclosed without the express agreement of the competent authorities which have disclosed it and solely for the purpose for which it has been given;

5) to the extent that the confidential information involves personal data, any processing by the entities shall comply with the regulation governing the protection of personal data.

(4) The Croatian National Bank may not disclose information received in accordance with Article 194, paragraphs (4) and (6), Article 206, paragraph (4) and Article 208 of this Act and information obtained in the course of an on-site inspection referred to in Article 194, paragraphs (1) and (2) of this Act to the entities referred to in paragraphs (3) and (5) of this Article save with the express agreement of the competent authorities which disclosed the information or of the competent authorities of the Member State in which such an on-site inspection was carried out.

(5) The Croatian National Bank may communicate the confidential information referred to in Articles 206, 207 and 212 of this Act to a clearing house which provides clearing and settlement services and is recognised under the national law governing the financial instruments market if the Croatian National Bank deems that it is necessary to communicate the information in order

to ensure the proper functioning of those bodies in relation to defaults or potential defaults by market participants.

(6) The Croatian National Bank may disclose the information referred to in Article 206, paragraph (4) of this Act to the bodies referred to in paragraph (5) of this Article only with the express agreement of the competent authorities which have disclosed it.

(7) The persons referred to in paragraphs (1), (2) and (5) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

### *Cooperation with the competent authorities of third countries*

#### Article 212

(1) The Croatian National Bank may conclude an agreement on the exchange of information with one or more competent authorities of third countries or persons from third countries whose position is equal to that of the persons referred to in Articles 208 and 209 of this Act for the purpose of exercising supervision, oversight or other activities for which they are responsible.

(2) The Croatian National Bank may also communicate confidential information to persons from third countries whose position is equal to that of the authorities and persons referred to in paragraph (1) of this Article if all of the following conditions are met:

1) it has concluded an agreement with such persons providing for the mutual exchange of information;

2) persons from a third country are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 206 of this Act;

3) the information delivered to persons and authorities referred to in paragraph (1) of this Article is to be used only for the purpose of exercising supervision, oversight or other activities for which they are responsible; and

4) it is guaranteed that the information received from the competent authorities of the Member State shall be disclosed to third parties only with the express agreement of the authorities which have disclosed the information and solely for the purpose for which it has been given.

### *Transmission of information to international bodies*

#### Article 212a

(1) By way of derogation from the provisions of Article 206, paragraphs (1) to (3) and Article 207 of this Act and by way of derogation from the provisions by which Article 53, paragraph (1) and Article 54 of Directive 2013/36/EU have been transposed into the national law of the Member States, the Croatian National Bank shall, at the request of the International Monetary Fund, for the purposes of carrying out its tasks, the World Bank, for the purposes of assessments for the Financial Sector Assessment Program, the Bank for International Settlements, for the purposes of quantitative impact studies or the Financial Stability Board, for the purposes of its surveillance function, submit aggregate or such information that individual credit institutions cannot be identified, where the following conditions are met:

1) the request is duly justified because it was made for the purpose of performing the conferred statutory mandate;

2) the request is sufficiently precise as to the nature, scope and format of the required information, and the means of its disclosure or transmission;



- 3) the requested information is strictly necessary for the performance of the specific tasks of the requesting body and does not go beyond its statutory tasks;
  - 4) the information is transmitted or disclosed exclusively to the persons directly involved in the performance of the tasks for the purpose of which the data are submitted; and
  - 5) the persons having access to the information are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 206 of this Act.
- (2) Where by the request referred to in paragraph (1) of this Article other information is requested, different than the one specified in that paragraph, the Croatian National Bank may only make other information available at its premises.
- (3) Where the disclosure of information under the request referred to in this Article involves processing of personal data, the requesting body shall comply with the requirements laid down in the regulations governing personal data protection.

### *Processing of personal data*

#### Article 213

The processing of personal data shall be subject to regulations governing the protection of personal data.

### *Notification to the European Union bodies*

#### Article 214

(1) The Croatian National Bank shall notify the European Commission of:

- 1) the refusal of a credit institution's application to establish a branch in another Member State, failure to communicate information, and of precautionary measures referred to in Article 197 of this Act;
- 2) the assumption and delegation of responsibility referred to in Article 280, paragraphs (1) and (2) of this Act; and
- 3) the regulations governing what shall not constitute the taking of deposits or other repayable funds from the public referred to in Article 7, paragraph (3) of this Act.

(2) The Croatian National Bank shall notify the European Banking Authority of all the authorisations for branches of third-country credit institutions, and shall submit the following data on:

- any subsequent changes to such authorisations;
- total assets and liabilities of the branches in accordance with the time limits of reporting within which the branches are subject to reporting to the Croatian National Bank;
- the name of the third-country group to which a branch belongs.

(3) In accordance with Article 73a of this Act, the Croatian National Bank shall establish a list of financial holding companies and mixed financial holding companies referred to in Article 73a, paragraphs (5) and (8) of this Act and financial holding companies, mixed financial holding companies, institutions and members of the group referred to in Article 73a, paragraph (14),



subparagraph (4) of this Act and shall communicate it to the relevant competent authorities of the other Member States, the European Banking Authority and the European Commission.

(4) The Croatian National Bank shall notify the other competent authorities involved in supervision on a consolidated basis, the European Banking Authority and the European Commission of the procedures referred to in Article 299, paragraph (3) of this Act.

(5) The Croatian National Bank shall notify the European Banking Authority of:

- 1) the requirements for authorisation of credit institutions;
- 2) the issue and revocation of authorisations to credit institutions as well as the reasons for revocation of authorisations;
- 3) the refusal of a credit institution's application to establish a branch in another Member State, failure to communicate information, and of precautionary measures referred to in Article 197 of this Act;
- 4) data collected in accordance with Articles 152 and 152a of this Act;
- 5) data on employees whose annual remuneration exceeds the amount established under the regulation referred to in Article 100, paragraph (4) of this Act;
- 6) the assumption and delegation of responsibility referred to in Article 280, paragraphs (1) and (2) of this Act;
- 7) the authorities or bodies with which it shall exchange confidential information in accordance with Article 209 of this Act;
- 8) all decisions in misdemeanour proceedings, legal remedies taken and the progress of proceedings;
- 9) the existence and content of the bilateral agreements referred to in Article 287, paragraphs (3) and (4) of this Act;
- 10) examination findings, where it is established that a credit institution may pose systemic risk in accordance with Article 23 of Regulation (EU) No 1093/2010;
- 11) the method of exercising supervision of credit institutions;
- 12) the methodology used to base decisions referred to in Article 180, paragraphs (5) and (6), Article 181, Article 188, Article 220, paragraph (1), Article 224 and Article 225 of this Act;
- 13) meetings relating to the development and coordination of recovery and resolution plans, in particular of the dates and places of the meetings, the main issues to be discussed and the activities to be considered;
- 14) an occurrence of an emergency situation, including a situation as described in Article 18 of Regulation (EU) 1093/2010 or a situation of adverse developments in the markets which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States;
- 15) all measures undertaken in accordance with Article 225 of this Act; and
- 16) the regulations governing what shall not constitute the taking of deposits or other repayable funds from the public referred to in Article 7, paragraph (3) of this Act.

(6) The Croatian National Bank shall also notify the European Commission, the European Banking Authority, the European Banking Committee and other European Union bodies of other matters where so required by the *acquis communautaire*.

(7) Where the Croatian National Bank is the consolidating supervisor, it shall communicate to the other competent authorities concerned and the European Banking Authority all information on a group of credit institutions referred to in Article 67, paragraph (1), items (2) and (3), Article 97, paragraphs (5), (6) and (7) and Article 101 of this Act, in particular on legal relationships in a group of credit institution and the governance and organisational structure of a group of credit institutions.

(8) The Croatian National Bank may communicate to the European Banking Authority information received from the authorities referred to in Article 212 of this Act.

(9) When notifying the European Banking Authority of the authorisations referred to in paragraph (5), item (2) of this Article, the Croatian National Bank shall deliver information on the deposit insurance scheme of which the credit institution is a member.

(10) The Croatian National Bank shall notify the European Central Bank of all procedures, decisions and other relevant circumstances material for exercising and performing supervisory powers and tasks by the European Central Bank referred to in Article 4 of Regulation (EU) No 1024/2013 and, in conjunction with this, of all imposed administrative sanctions, legal remedies submitted and the course of the proceedings.

### *Public disclosure by the Croatian National Bank*

#### Article 215

(1) The Croatian National Bank shall publicly disclose the following information:

1) the texts of laws, decisions, instructions and general guidance adopted in the Republic of Croatia in the field of prudential regulation;

2) the manner of exercise of the options and discretions available in the regulations of the European Union governing the operation of credit institutions;

3) the general criteria and methodologies it uses in the supervision of credit institutions referred to in Article 181 of this Act and the criteria for applying the principle of proportionality as referred to in Article 180, paragraph (3) of this Act;

4) aggregate statistical data on key aspects of the implementation of the prudential framework which the Croatian National Bank collected pursuant to regulations, including the number and nature of supervisory measures taken and of penalties imposed in accordance with this Act;

5) lists of recognised exchanges and external credit assessment institutions; and

6) the dispositive parts of the decisions referred to in Article 30 of this Act.

(2) The information referred to in paragraph (1) of this Article shall be disclosed in a way which allows for meaningful comparison of the approaches adopted by the competent authorities of the different Member States. Such information shall be updated regularly and accessible at the website of the Croatian National Bank.

(3) In addition to the information referred to in paragraph (1) of this Article, the Croatian National Bank may disclose other information within its competence.

(4) The Croatian National Bank shall publish on its website decisions on penalties against which there is no appeal and which are imposed on credit institutions and responsible persons of credit institutions by misdemeanour courts and other authorities responsible for misdemeanour proceedings, adopted in proceedings in which the Croatian National Bank acts

as an authorised prosecutor. The decisions shall be published without undue delay but after the person on whom the penalty is imposed is informed thereof.

(5) The Croatian National Bank shall publish on its website decisions on each administrative sanction imposed on credit institutions and responsible persons of credit institutions, which have been adopted in the procedure for imposing administrative sanctions. The decisions shall be published without undue delay but after the person on whom the sanction is imposed is informed thereof.

(6) Where an appeal has been lodged against a decision imposing an administrative sanction, the Croatian National Bank shall without delay publish any information on submitted legal remedies and the course of the proceedings.

(7) The Croatian National Bank may publish decisions it adopts in the course of exercising its powers. When the Croatian National Bank publishes such decisions, it shall also publish a decision of the administrative court adopted with regard to an appeal to the decision.

(8) Data covered by banking secrecy pursuant to the provisions of this Act shall be excluded from the publications referred to in paragraphs (4) and (5) of this Article.

(9) The Croatian National Bank shall publish decisions on penalties and administrative sanctions imposed on credit institutions and responsible persons of credit institutions on an anonymised basis in the following cases:

1) where the penalty is imposed on responsible persons of a credit institution and, following an obligatory prior assessment, the Croatian National Bank found publication of personal data to be disproportionate;

2) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;

3) where publication would cause, insofar as it can be determined, disproportionate damage to the credit institutions or natural persons involved; or

4) where the legal consequences of rehabilitation have arisen.

(10) The information referred to in paragraphs (4), (5), (6) and (9) of this Article shall remain on the website for at least five years.

(11) The Croatian National Bank shall act in accordance with the provisions of paragraphs (4) to (10) of this Article even if it has imposed an administrative sanction for the breaches referred to in Article 365 of this Act.

(12) By way of derogation from paragraph (5) of this Article, the Croatian National Bank may postpone the publication of the decision on an administrative sanction if it assesses that the circumstances referred to in paragraph (9) of this Article will cease to exist within a reasonable period of time.

### *Specific requirements regarding disclosure by the Croatian National Bank*

#### Article 216

(1) The Croatian National Bank shall publish the following information regarding exposure to transferred credit risk under Part Five of Regulation (EU) No 575/2013:

1) the general criteria and methodologies adopted to review compliance with Articles 405 to 409 of Regulation (EU) No 575/2013; and

2) a summary description of examination findings and description of the measures imposed in cases of non-compliance with Articles 405 to 409 of Regulation (EU) No 575/2013, identified on an annual basis.

(2) Where the Croatian National Bank exercises the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country;

3) on an aggregate basis for the Republic of Croatia:

– the total amount of own funds on the consolidated basis of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

– the total capital ratio, on the consolidated basis, of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country; and

– the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 on the consolidated basis of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

(3) Where the Croatian National Bank exercises the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country; and

3) on an aggregate basis for the Republic of Croatia:

– the total amount of own funds of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

– the total capital ratio of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, in the form of own funds which are held in subsidiaries in a third country;

– the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

## XVII.a GROUP FINANCIAL SUPPORT AGREEMENTS

### *Group financial support agreement*

## Article 216a

(1) An RC parent credit institution, an EU parent credit institution having its head office in the RC, an RC parent financial holding company, an EU parent financial holding company having its head office in the RC, an RC parent mixed financial holding company, an EU parent mixed financial holding company having its head office in the RC, an RC parent mixed-activity holding company, an EU parent mixed-activity holding company having its head office in the RC and their subsidiaries that are credit institutions, investment firms or financial institutions covered by the consolidated supervision in accordance with this Act, may conclude a group financial support agreement of a group of credit institutions in the RC in order to ensure mutual financial support when one or more signatories to the agreement meet the conditions for early intervention in accordance with Article 235 of this Act.

(2) A credit institution may, in order to ensure mutual financial support when one or more of the signatories to the agreement meet the conditions for early intervention in accordance with Article 235 of this Act, conclude a group financial support agreement of a group of credit institutions in the EU with the following undertakings:

- 1) an EU parent credit institution with a head office outside the RC;
- 2) an EU parent financial holding company with a head office outside the RC;
- 3) an EU parent mixed financial holding company with a head office outside the RC;
- 4) an EU parent mixed-activity holding company with a head office outside the RC;
- 5) a subsidiary of the undertakings referred to in items (1) to (4) of this paragraph with a head office outside the RC, which is a credit institution, an investment firm or a financial institution.

(3) The undertakings referred to in paragraphs (1) and (2) of this Article may conclude a group financial support agreement only if at the time of its proposal or conclusion none of the signatories to the agreement is in the early intervention phase.

(4) The provisions of this Title shall not apply to other intra-group financing agreements within a group of credit institutions in the RC or a group of credit institutions in the EU in which none of the signatories to the agreement is in the early intervention phase at the time when the agreement is concluded, and which are not concluded for the purpose of ensuring mutual financial support when one or more signatories to the agreement meets the conditions for early intervention in accordance with Article 235 of this Act.

(5) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution to provide financial support to another member of a group of credit institutions that experiences financial difficulties if the following conditions are met:

- 1) if it decides to do so on a case by case basis;
- 2) if the provision of such financial support is in accordance with the policies of the group of credit institutions; and
- 3) if the provision of such financial support does not represent a risk for the whole group of credit institutions.

(6) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution which is a member of a group credit institutions in the RC or of a group of credit institutions in the EU to operate in the territory of the Republic of Croatia.

(7) The agreement referred to in paragraph (1) or (2) of this Article may provide financial support:

- 1) from the parent undertaking to subsidiaries;
- 2) from subsidiaries to the parent undertaking;
- 3) from a subsidiary to another subsidiary of the group; or
- 4) intra-group within a group of credit institutions in any other combination that is not covered by items (1) to (3) of this paragraph.

(8) The provider of financial support may provide financial support in one or more transactions in particular in one of the following manners:

- 1) in the form of a loan or credit;
- 2) in the form of guarantees or other commitments;
- 3) in the form of a lien or through the transfer of title as collateral; or
- 4) combination of items (1) to (3) of this paragraph.

(9) The form of financial support referred to in paragraph (8) of this Article shall apply to legal arrangements among signatories to the group financial support agreement, as well as to legal arrangements with third parties.

(10) In the group financial support agreement, the provider of financial support may require from the beneficiary of the support to commit to reciprocal provision of financial support to that provider of the financial support.

(11) The signatories to the group financial support agreement shall specify the principles for the calculation of interest rates and other charges for each transaction made under the agreement, whereby the interest rates and other charges shall be set at the time of the provision of financial support. When entering into the agreement and specifying the principles for the calculation of interest rates and other charges the signatories to the agreement shall comply with the following principles:

- 1) each signatory to the agreement must be acting freely when entering into the agreement;
- 2) each signatory to the agreement must be acting in its own best interest which may take into account any direct or any indirect benefit that may accrue to the signatory to the agreement as a result of the provision of the financial support;
- 3) each beneficiary of financial support shall disclose all relevant information to the provider of the financial support prior to the determination of interest rates and other charges for the provision of financial support and prior to the reaching of the decision to provide financial support;
- 4) in determining interest rates and other charges for the provision of financial support the provider of financial support may take into account information available to the provider of the financial support based on it being in the same group of credit institutions as the beneficiary of financial support and which is not publicly available; and
- 5) the principles of calculating interest rates and other charges for the provision of financial support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the operation of that group of credit institutions.

(12) Only signatories to the group financial support agreement may meet the obligations arising pursuant to that agreement. The obligations arising pursuant to the group financial support agreement may be met only to the signatory to that agreement.

*Review of proposed agreements in cases where the Croatian National Bank is the consolidating supervisor*

Article 216b

(1) An EU parent credit institution having its head office in the RC and the credit institution referred to in Article 97, paragraph (2) of this Act shall submit to the Croatian National Bank as the consolidating supervisor an application for authorisation of the group financial support agreement for the group of credit institutions in the RC (hereinafter referred to as 'support agreement in the RC'). The proposed text of the agreement and identity of members of the group of credit institutions in the RC that propose to be signatories to the agreement shall be enclosed with the application.

(2) The Croatian National Bank shall without delay forward the application referred to in paragraph (1) of this Article to the competent authority of a Member State where the head office is located of the subsidiary that proposes to be a signatory to the agreement.

(3) The Croatian National Bank and the competent authorities of other Member states where head offices are located of subsidiaries that propose to be signatories to the support agreement in the RC shall cooperate with a view to reaching a joint decision whether the conditions for the conclusion of the support agreement referred to in Article 216f, paragraph (1) of this Act are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the RC, including its fiscal consequences.

(4) The joint decision referred to in paragraph (3) of this Article shall be reached within a period of four months of receipt of the application referred to in paragraph (1) of this Article. This decision must be written and fully reasoned. The Croatian National Bank shall notify this decision to the applicant.

(5) Where the joint decision referred to in paragraph (4) of this Article is reached that the conditions referred in Article 216f, paragraph (1) of this Act are met, the Croatian National Bank shall, pursuant to that decision, grant the authorisation for the conclusion of the support agreement in the RC and deliver it to the applicant.

(6) Where the joint decision referred to in paragraph (4) of this Article is reached that the conditions referred in Article 216f, paragraph (1) of this Act are not met, the Croatian National Bank shall, pursuant to that decision, refuse the application for authorisation of the support agreement in the RC and deliver the decision on the refusal of the application to the applicant.

(7) In the process of reaching a joint decision referred to in paragraph (4) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(8) Where the joint decision referred to in paragraph (4) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision on the application referred to in paragraph (1) of this Article, taking into account the expressed views and reservations of other competent authorities. The Croatian National Bank shall notify this



decision to the applicant and the other competent authorities of the Member States where the head offices are located of subsidiaries that propose to conclude the agreement.

(9) The Croatian National Bank may within the period of four months of receipt of the application referred to in paragraph (1) of this Article refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) Regulation (EU) No 1093/2010.

(10) By way of derogation from paragraph (8) of this Article, where within four months of receipt of the application referred to in paragraph (1) of this Article by the Croatian National Bank, the Croatian National Bank or any of the competent authorities of other Member States refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(11) The credit institution referred to in paragraph (1) of this Article shall not conclude a support agreement in the RC without the authorisation of the Croatian National Bank.

*Review of proposed agreements in cases where the Croatian National Bank is not the consolidating supervisor*

Article 216c

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor of the group of credit institutions in the EU, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision whether the conditions referred to in Article 216f, paragraph (1) of this Act for the conclusion of the group financial support agreement by the group of credit institutions in the EU (hereinafter referred to as 'support agreement in the EU') are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the EU, including its fiscal consequences.

(2) The credit institution shall notify the Croatian National Bank of its intention to conclude a support agreement in the EU and shall not conclude such an agreement if no authorisation for the conclusion of the support agreement in the EU was granted by the consolidating supervisor to its parent credit institution.

(3) In the process of reaching a joint decision referred to in paragraph (1) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(4) The Croatian National Bank may, within the period of four months of receipt by the consolidating supervisor of the application for authorisation of the support agreement, refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

*Approval of the support agreement by the general assembly*

Article 216d

- (1) After the parent credit institution obtains the authorisation for the conclusion of the support agreement from the Croatian National Bank or another relevant consolidating supervisor, the management board of the credit institution proposing to conclude the support agreement shall obtain the approval of the general assembly.
- (2) The agreement referred to in paragraph (1) of this Article shall have legal effects only in respect of a member of a group of credit institutions whose general assembly has authorised its management board to make its own decision whether the undertaking shall provide or receive financial support in accordance with the terms of the agreement.
- (3) Where the general assembly authorises the management board of the undertaking in accordance with paragraph (2) of this Article, the provisions of the undertaking's Articles of Association or of the decision of the supervisory board laying down that certain types of activities may be performed only with the prior approval of that board shall not apply if such provisions or decisions would limit the management board in deciding whether the undertaking shall provide or receive financial support.
- (4) The general assembly may revoke the authorisation referred to in paragraph (2) of this Article, in which case the support agreement shall not have legal effects on that undertaking.
- (5) The credit institution shall without delay deliver the decision of the general assembly to authorise the management board and the decision to revoke the authorisation to the Croatian National Bank and all signatories to that agreement.
- (6) The management board of a credit institution which is a signatory to the agreement shall report on an annual basis at a minimum to the general assembly on the performance of the agreement and on the implementation of any decision taken pursuant to the agreement.
- (7) An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall ensure that all members of a group of credit institutions in the RC proposing to conclude the agreement, which are not credit institutions or investment firms act in accordance with the provisions of this Title.

### *Transmission of the support agreements to resolution authorities*

#### Article 216e

- (1) Credit institutions shall without delay notify the Croatian National Bank of the conclusion of support agreements and supply it with copies thereof.
- (2) The Croatian National Bank shall without delay deliver the support agreement referred to in paragraph (1) of this Article to the resolution authorities.
- (3) Where the Croatian National Bank is the consolidating supervisor, it shall transmit the agreement referred to in paragraph (1) of this Article to resolution authorities of the Member States where head offices are located of the members of the group of credit institutions in the RC that are signatories to the agreement.

### *Conditions for providing support*

#### Article 216f

- (1) A credit institution may provide support only if the following conditions are met:

- 1) the support provided will significantly redress the financial difficulties of the beneficiary of the support;
- 2) the objective of the support is to preserve or restore financial stability of the group as a whole or any of the signatories to the agreement or is in the interest of the provider of the support;
- 3) the support is provided on terms, including interest rates and other charges, referred to in Article 216a, paragraph (11) of this Act;
- 4) on the basis of the information available to the management board of the provider of the support at the time when the decision to grant support is taken, it is reasonable to expect that the beneficiary of the support will pay the interest rate and charges for the support, or if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed. Where the support is given in the form of a guarantee, other commitment or any other form, the same condition shall apply to the liability arising for the beneficiary of the support if the payment has been executed pursuant to a guarantee, other commitment or enforcement of another form of support;
- 5) the provision of the support would not jeopardise the liquidity or solvency of the provider of the support;
- 6) the provision of the support would not create a threat to financial stability of the Republic of Croatia or financial stability of another Member State where the head office is located of another signatory to the agreement;
- 7) the provider of the support at the time when the support is provided, complies with the requirements of Regulation (EU) No 575/2013 and Title VII of this Act relating to capital and liquidity and any of the requirements imposed pursuant to Articles 220, 224, 225, 228 and 285 of this Act and the provision of the support shall not cause infringement of those requirements;
- 8) the provider of the support at the time when the support is provided complies with the requirements of Regulation (EU) No 575/2013 and this Act relating to large exposures and the provision of the support shall not cause infringement of those requirements; and
- 9) the provision of the support would not undermine the resolvability of the provider of the support.

(2) By way of derogation from paragraph (1) of this Article, the credit institution may provide support if the conditions referred to in paragraph (1), item (7) or (8) of this Article are not met, provided it has obtained the authorisation of the Croatian National Bank referred to in Article 216h, paragraph (7) of this Act.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions referred to in paragraph (1) of this Article and the conditions under which the Croatian National Bank may grant or partially grant the application referred to in Article 216h, paragraph (3) of this Act.

### *Decision to provide or receive support*

#### Article 216g

(1) A decision to provide support shall be taken by the management board of the provider of the support. That decision must be reasoned and indicate the objective of the proposed support and shall indicate how the provision of the support complies with the conditions referred to in Article 216f, paragraph (1) of this Act.

(2) A decision to receive support shall be taken by the management board of the beneficiary of the support.

### *Authorisation of the Croatian National Bank to provide support*

#### Article 216h

(1) A credit institution may provide support in accordance with the concluded support agreement if it obtained the authorisation to provide support from the Croatian National Bank. An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall notify the Croatian National Bank if its subsidiary intends to provide support.

(2) A credit institution that intends to provide support shall notify the following in advance:

- a) the consolidating supervisor;
- b) the competent authority of the beneficiary of the support; and
- c) the European Banking Authority.

(3) The application for the authorisation referred to in paragraph (1) of this Article shall be deemed valid where the following conditions are met:

- a) the application shall contain details of the proposed support and explanations thereof;
- b) a copy of the decision of the management board to provide support referred to in Article 216g, paragraph (1) of this Act shall be enclosed with the application; and
- c) a credit institution shall deliver to the Croatian National Bank a copy of the support agreement in accordance with Article 216e, paragraph (1) of this Act.

(4) The Croatian National Bank shall adopt a decision on the application at the latest within five working days of receipt of the valid application referred to in paragraph (3) of this Act. If the Croatian National Bank fails to adopt a decision on an application within the set time limit, it shall be deemed that it has granted authorisation for the provision of financial support.

(5) The Croatian National Bank shall grant authorisation for the provision of support to a credit institution if the conditions referred to in Article 216f, paragraph (1) of this Act are met.

(6) Where it deems that the conditions referred to in Article 216f, paragraph (1) of this Act are not met, the Croatian National Bank shall refuse the application referred to in paragraph (3) of this Act. If the Croatian National Bank deems the conditions referred to in Article 216f, paragraph (1) of this Act as partially met, the Croatian National Bank may partially grant the application referred to in paragraph (3) of this Article.

(7) By way of derogation from paragraph (6) of this Article, if the conditions referred to in Article 216f, paragraph (1), item (7) or (8) of this Act are not met, the Croatian National Bank may grant or partially grant the application referred to in paragraph (3) of this Article. In such a case the Croatian National Bank shall set in its decision a time limit in which the credit institution is obligated to restore compliance of its operations with the requirements set out in these items. Where the credit institution restores compliance of its operations to the requirements referred in Article 216f, item (7) or (8) of this Act, misdemeanour proceedings shall not be initiated.

(8) The Croatian National Bank shall without delay notify the following of the decision referred to in paragraph (5), (6) or (7) of this Article:

- 1) the consolidating supervisor;
- 2) the competent authority of the beneficiary of the support; and
- 3) the European Banking Authority.

(9) Where the Croatian National Bank receives a decision of the consolidating supervisor or any other competent authority on the refusal or partial granting of the application to provide support, it may within the period of two days refer the matter to the European Banking Authority and request its assistance in accordance with Article 31 of Regulation (EU) No 1093/2010.

(10) Where the application to provide support, based on the support agreement including a recovery plan, is refused or partially granted by any competent authority of the signatory to the agreement:

1) the Croatian National Bank as a consolidating supervisor shall alone or at the request of another competent authority of the signatory to the agreement to which support is refused or partially granted, initiate a reassessment of the group recovery plan for a group of credit institutions in accordance with Article 154b of this Act;

2) the Croatian National Bank shall, in relation to the member of a group for which it is a competent authority and which is obligated to draw up a recovery plan on an individual basis, request delivery of a revised recovery plan.

(11) Where the Croatian National Bank is not a consolidating supervisor and the application for support to the credit institution in the Republic of Croatia is refused or partially granted, and the group recovery plan includes a support agreement, the Croatian National Bank may request a reassessment of the group recovery plan of a group of credit institutions from the consolidating supervisor in accordance with Article 154c of this Act.

(12) Where the Croatian National Bank takes the decision referred to in paragraph (5), (6) or (7) of this Article or where it as a consolidating supervisor receives from another competent authority a notification of authorisation, restriction or prohibition of the provision of financial support it shall without delay notify other members of the college of supervisors and the members of the resolution college.

### *Notification of the decision to provide financial support and disclosure*

#### Article 216i

(1) After a credit institution obtains authorisation from the Croatian National Bank referred to in Article 216h of this Act, it shall notify the decision to provide financial support to:

- 1) the Croatian National Bank;
- 2) the consolidating supervisor;
- 3) the competent authority of the beneficiary of the support; and
- 4) the European Banking Authority.

(2) When the Croatian National Bank as the consolidating supervisor receives from the credit institution a decision to provide financial support, it shall without delay notify other members of the college of supervisors and of the resolution college.

(3) A credit institution shall make public and update at least annually the following information:

- 1) whether it concluded a support agreement;

2) general terms of any such support agreement; and

3) the names of other signatories to the agreement.

(4) An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall for all members of a group of credit institutions in the RC which are not credit institutions having a head office in the Republic of Croatia make public and update at least annually the information referred to in paragraph (3) of this Article.

(5) Public disclosure referred to in paragraph (1) of this Article shall be made in accordance with Articles 431 to 434 of Regulation (EU) No 575/2013.

*Application of the provisions of this Act to support agreements and amendments to support agreements*

Article 216j

(1) Articles 146a, 146b and 147 of this Act shall not apply to the support agreement referred to in this Title of this Act.

(2) The provisions of this Title shall apply to all changes to support agreements.

## **XVIII SUPERVISORY MEASURES**

### **XVIII.1 GENERAL PROVISIONS**

*Supervisory measures*

Article 217

(1) The objective of the supervisory measures of the Croatian National Bank shall be to take actions at an early stage to improve the safety and stability of credit institutions' operation and to eliminate established illegalities.

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

1) a memorandum of understanding, or

2) a decision.

(3) Supervisory measures of the Croatian National Bank shall be effective, proportionate and generally and particularly dissuasive.

*Memorandum of understanding*

Article 218

(1) Following an examination of a credit institution, the Croatian National Bank may conclude a memorandum of understanding with the credit institution if it finds weaknesses or deficiencies in the credit institution's operation which do not constitute a breach of regulations, if following the examination it deems it necessary that the credit institution takes actions and procedures to improve its operation, or if on the basis of information available to the Croatian National Bank it may be reasonably expected that the credit institution will breach regulations within the following 12 months.

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

- 1) the credit institution has begun to eliminate weaknesses or deficiencies in the course of or immediately following the examination;
- 2) the credit institution is ready to commit itself to eliminating the weaknesses or deficiencies within proposed time limits and in the manner proposed;
- 3) the credit institution's track record with regard to measures, objections and instructions of the Croatian National Bank suggests that the credit institution will completely fulfil the commitments to be taken under the memorandum; or
- 4) the credit institution's track record, and the frequency of weaknesses, deficiencies or illegalities identified, suggest that the credit institution will in its future operations ensure the legality, safety and stability of operation.

(3) A memorandum of understanding shall lay down:

- 1) the time limit for and the method to be used by the credit institution to eliminate the weaknesses or deficiencies in its operation; and
- 2) the time limit for and the frequency of the credit institution's reporting to the Croatian National Bank on the fulfilment of the commitments taken under the memorandum of understanding.

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

#### Article 219

Where a credit institution fails to fulfil the commitments taken 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.

## XVIII.2 ELIMINATION OF ILLEGALITIES IDENTIFIED IN THE COURSE OF SUPERVISION OF CREDIT INSTITUTIONS

### *Decision to impose supervisory measures*

#### Article 220

(1) The Croatian National Bank shall adopt a decision at an early stage to impose supervisory measures on a credit institution if, within its supervisory powers, it finds:

- 1) that by its actions or omission of particular actions the credit institution acted contrary to this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions;
- 2) that on the basis of information available to the Croatian National Bank it may be reasonably expected that the credit institution will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions within the following 12 months;
- 3) weaknesses or deficiencies in the credit institution's operation which do not constitute a breach of regulations; or

4) that it is necessary that the credit institution takes actions and procedures to improve its operation.

(2) The decision referred to in paragraph (1) of this Article shall lay down the time limit for and the method to be used by the credit institution to eliminate the illegalities, weaknesses or deficiencies in its operation.

(3) A credit institution may, no later than 30 working days before 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. If the time limit referred to in paragraph (2) of this Article is 30 working days or shorter, the credit institution may not apply for an extension of that time limit. The Croatian National Bank shall decide on the extension at the latest by the expiry of the time limit laid down in the decision.

(4) A credit institution shall implement supervisory measures in the manner and within the time limits laid down in a decision of the Croatian National Bank.

### *Decisions in the course of examinations*

#### Article 221

By way of derogation from Article 220 of this Act, the Croatian National Bank may adopt a temporary decision in the course of an examination and order the credit institution to take measures, which the credit institution shall implement without delay where:

1) authorised persons find in the course of the examination that the credit institution has not organised its operation or does not keep business books, business documentation and other business records in such a manner that it is at all times possible to verify whether the credit institution carries out its activities in accordance with risk management regulations and rules;

2) the credit institution carries out its activities in a manner which may worsen or jeopardise its liquidity or solvency;

3) the credit institution carries out its activities in a manner which makes it reasonable to expect that by the time a report on the examination findings is prepared or immediately thereafter it will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions; or

4) it is impossible to continue the examination of the credit institution.

### *Certified auditor's report on the elimination of illegalities*

#### Article 222

Where, in the course of supervision, the Croatian National Bank finds that a credit institution acts contrary to the regulations governing the keeping of business books, administrative and other records that the credit institution is required to keep, or where it finds other major illegalities, it may adopt a decision ordering the credit institution to submit to the Croatian National Bank a certified auditor's report on the elimination of these illegalities within a specified time limit.

### *Reporting to the Croatian National Bank on the implementation of decisions*

#### Article 223



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

(2) The credit institution shall report to the Croatian National Bank on the implementation of measures and shall enclose relevant documents and other evidence within the time limit referred to in paragraph (1) of this Article. In the cases referred to in Article 222 of this Act, the credit institution shall also deliver a certified auditor's report on the elimination of illegalities.

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

### XVIII.3 TYPES OF SUPERVISORY MEASURES

#### *Types of supervisory measures*

##### Article 224

(1) In addition to the other measures imposed under this Act, by its supervisory measures the Croatian National Bank may in particular:

1) order a credit institution to remove the chairperson, a member or members of the management board from office and appoint a new chairperson, member or members of the credit institution's management board;

2) impose a temporary prohibition on:

– granting credits and providing recognised and other financial services to persons with inadequate creditworthiness;

– concluding transactions with individual shareholders, members of the management or supervisory board, procurators, undertakings having close links with the credit institution, and persons connected with the credit institution;

– acquiring units in investment funds;

– taking new deposits or other repayable funds from the public; or

– introducing new products;

3) impose a temporary prohibition or restriction on distributing dividends or any other form of profit, and the calculation and payment of distributions to holders of additional tier 1 instruments where the prohibition or restriction does not constitute an event of default of the credit institution;

4) limit the operations or branch network of a credit institution or request the divestment of activities that pose excessive risk to the soundness of the credit institution;

5) limit increases in a credit institution's assets and risk-bearing off-balance sheet items;

6) order the reduction of operating expenses, including restrictions on salaries and other remuneration of members of the management and supervisory board and employees of a credit institution;

7) order the implementation of measures imposing specific operating conditions on a credit institution, which may include minimum or maximum interest rates, maturities of claims and liabilities and other conditions;

- 8) order the sale of a credit institution's tangible and other assets;
- 9) order a credit institution to sell shares or holdings or to wind-up a subsidiary of the credit institution;
- 10) order a change in the areas of operation or the structure of services provided by the credit institution;
- 11) order the application of a specific provisioning policy or treatment of assets in terms of own funds requirements;
- 12) order the reduction of the risk inherent in the activities, products and systems of a credit institution, including the activities related to outsourcing;
- 13) order a credit institution to appoint appropriate committees for specific areas of operation within the competence of the supervisory board;
- 14) order a credit institution to improve or limit the use of a particular internal approach or model referred to in Article 114 of this Act;
- 15) order a credit institution to limit variable remuneration as a percentage of net revenues where it is inconsistent with the maintenance of a sound capital base;
- 16) order a credit institution to use net profits to strengthen own funds;
- 17) order a credit institution to remove from office a key function holder and appoint a new one;
- 18) order a credit institution to implement a measure recommended by the Financial Stability Council;
- 19) impose other measures in the course of oversight in accordance with Article 177 of this Act;
- 20) order a credit institution to have additional own funds, in the form set by the Croatian National Bank, in excess of the requirements set out in Regulation (EU) No 575/2013, under the conditions referred to in Article 228 of this Act;
- 21) order a credit institution to present a plan to restore compliance with prudential requirements pursuant to this Act and to Regulation (EU) No 575/2013 and set a deadline for its implementation, including improvements to that plan regarding scope and deadline;
- 22) impose more frequent or additional reporting requirements, including reporting on capital and liquidity positions and leverage, under the conditions referred to in Article 226 of this Act;
- 23) impose specific liquidity requirements, including restrictions on maturity mismatches between assets and liabilities;
- 24) require additional disclosures;
- 25) limit the granting of credits;
- 26) order a reduction of or limit the credit institution's exposures;
- 27) order improvements to collection procedures concerning past due exposures;
- 28) order a correct evaluation of on- and off-balance sheet items;
- 29) order the strengthening of the systems, processes, mechanisms and strategies implemented in accordance with Articles 101 and 113 of this Act;
- 30) order improvements to the strategies and procedures in place to assess the adequacy of internal capital;

- 31) order improvements to the accounting and information systems;
- 32) order improvements to the internal control and internal audit systems;
- 32a) order that the credit institution that meets the conditions referred to in Article 4, paragraph (1), item (145) from (a) to (h) of Regulation (EU) No 575/2013 is not to be considered a small and non-complex institution;
- 33) order other measures deemed to be appropriate and proportionate in order for the credit institution to comply with the provisions of this Act, Regulation (EU) No 575/1013 and other regulations governing the operation of credit institutions.
- (2) When imposing a supervisory measure, the Croatian National Bank shall, where applicable, order a credit institution to cease the unlawful conduct and to desist from a repetition of that conduct.
- (3) Where the Croatian National Bank assesses that the internal systems implemented by a credit institution for the purpose of evaluating the risks referred to in Article 103, paragraphs (6) and (7) of this Act are not satisfactory, it shall require the credit institution to use the standardised methodology referred to in that Article.
- (4) Where the Croatian National Bank assesses that the simplified standardised methodology is not adequate to capture interest rate risk arising from non-trading book activities of a specific small and non-complex credit institution, it shall require the use of the standardised methodology referred to in Article 103, paragraphs (6) and (7) of this Act.
- (5) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined.

### *Specific liquidity requirements*

#### Article 225

- (1) For the purposes of determining the appropriate level of liquidity requirements on the basis of the supervision carried out in accordance with Article 180, paragraph (1) of this Act, the Croatian National Bank shall decide whether any imposition of a specific liquidity requirement is necessary to capture liquidity risks to which a credit institution is or might be exposed.
- (2) When adopting a decision referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the following:
- 1) the business model of the credit institution;
  - 2) the credit institution's systems, processes and mechanisms referred to in this Act and in particular in liquidity requirements;
  - 3) the findings of the supervision carried out in accordance with Article 180 of this Act.

### *More frequent and additional reporting to the Croatian National Bank*

#### Article 225a

- (1) The supervisory measure referred to in Article 224, paragraph (1), item (22) of this Act may only be imposed on a credit institution by the Croatian National Bank in the following

circumstances:

1) where the relevant measure is appropriate and proportionate with regard to the purpose for which the information is required; and

2) the information requested is not duplicative.

(2) For the purposes of paragraph (1), item (2) of this Article, in the cases referred to in Articles 180 to 220 of this Act, any information request shall be deemed as duplicative where the same or substantially the same information has already been otherwise reported to the Croatian National Bank or may be produced by the Croatian National Bank.

(3) For the purposes of paragraph (2) of this Article, information shall not be deemed as already submitted to the Croatian National Bank where the Croatian National Bank has previously received it in a different format or level of granularity and that different format or granularity does not allow the Croatian National Bank to produce information of the same quality and reliability as that produced on the basis of more frequent or additional reporting.

#### Article 226

*Deleted.*

#### *Participation of a representative of the Croatian National Bank at the general assembly of a credit institution*

#### Article 227

(1) A representative of the Croatian National Bank may participate in the general assembly and address the credit institution's shareholders before voting.

(2) A representative of the Croatian National Bank referred to in paragraph (1) of this Article shall be appointed by a decision of the Governor of the Croatian National Bank.

#### *Additional own funds requirement in excess of the minimum level*

#### Article 228

(1) The supervisory measure of additional own funds requirement, referred to in Article 224, paragraph (1), item (20) of this Act, shall be imposed on a credit institution by the Croatian National Bank where, on the basis of the supervision exercised, in accordance with Articles 180 and 188 of this Act and the provisions by which Articles 97 and 101 of Directive 2013/36/EU have been transposed into the national law of the Member States, for a single credit institution it establishes the following:

1) that risks or elements of risk are not covered or not sufficiently covered by own funds requirements, as specified in paragraph (3) of this Article, by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 or in Chapter 2 of Regulation (EU) 2017/2402;

2) that a credit institution has not established or does not consistently implement adequate governance arrangements in accordance with the provisions of Article 101 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;

3) that a credit institution has not established or does not consistently implement sound strategies and procedures to assess the adequacy of internal capital in accordance with the provisions of Article 113 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;

4) that a credit institution has not established or does not consistently implement sound administrative and accounting procedures and adequate internal control systems for identifying, managing, monitoring and reporting large exposures in accordance with the provisions of Article 393 of Regulation (EU) No 575/2013 and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;

5) that the supervision referred to in Article 181, paragraph (4) of this Act reveals that the valuation adjustments taken for positions or portfolios in the trading book are not sufficient to enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions;

6) that the supervision referred to in Article 188, paragraphs (5) and (6) of this Act reveals that the non-compliance with the requirements for the application of the respective approach will likely lead to inadequate own funds requirements;

7) that a credit institution repeatedly fails to ensure or maintain an adequate level of additional own funds determined in accordance with Article 228a of this Act;

8) that other credit institution-specific situations are established that are deemed to raise material supervisory concerns.

(2) The Croatian National Bank shall only impose on the credit institution the additional own funds requirement supervisory measure referred to in Article 224, paragraph (1), item (20) of this Act where it assesses that there is need to cover the risks to which the credit institution is exposed, regardless of whether the risks are incurred by the credit institution due to its activities or whether they reflect the impact of certain economic and market developments on the risk profile of that credit institution.

(3) Within the meaning of paragraph (1), item (1) of this Article, risks or elements of risk shall only be considered as not covered or not sufficiently covered by the own funds requirements where the amounts, types and distribution of own funds considered adequate by the Croatian National Bank, taking into account the supervisory review of the assessment carried out by the credit institution in accordance with Article 113, paragraph (2) of this Act, are higher than the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402;

(4) When carrying out the assessment referred to in paragraph (3) of this Article, the Croatian National Bank shall assess, taking into account the risk profile of each individual credit institution, the risks to which the credit institution is exposed, including:

- credit institution-specific risks or elements of such risks that are explicitly excluded from or not explicitly addressed in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402;
- credit institution-specific risks or elements of such risks likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(5) To the amount (extent) that risks or elements of risk are subject to transitional arrangements or grandfathering provisions laid down in this Act or in Regulation (EU) No 575/2013, the Croatian National Bank shall not consider risks or elements of such risks referred to in paragraph (4), subparagraph (2) of this Article likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 575/2013.

(6) The Croatian National Bank shall cover all risks or elements of risks identified as material pursuant to the assessment referred to in paragraph (3) of this Article that are not covered or not sufficiently covered by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402;

(7) Within the meaning of paragraph (6) of this Article, interest rate risk arising from non-trading book positions shall be considered material by the Croatian National Bank in the cases referred to in Article 181, paragraph (5), item (1) of this Act, unless the Croatian National Bank determines that:

- the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and
- the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(8) The Croatian National Bank shall impose on the credit institution additional own funds, except to cover the risk of excessive leverage that is not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, in the amount that is the difference between the capital considered adequate pursuant to paragraph (3) of this Article and the relevant own funds requirements set out in Parts Three and Four of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(9) The Croatian National Bank shall impose on the credit institution additional own funds to cover the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, as the difference between the required capital assessed pursuant to paragraph (3) of this Article and the own funds requirements set out in Parts Three and Seven of Regulation (EU) No 575/2013.

(10) The credit institution shall maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, not including the own funds requirement imposed to cover the risk of excessive leverage, with own funds as follows:

- at least three quarters of the additional own funds requirement shall be met with tier 1 capital;
- at least three quarters of the tier 1 capital referred to in subparagraph (1) of this paragraph shall be composed of common equity tier 1 capital.

(11) The credit institution shall maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, including the own funds requirement imposed to cover the risk of excessive leverage, with tier 1 capital.

(12) By way of derogation from paragraphs (10) and (11) of this Article, the Croatian National Bank may impose on the credit institution to maintain its additional own funds requirement with a higher portion of tier 1 capital or common equity tier 1 capital, where necessary, and having regard to the specific circumstances of the credit institution.

(13) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, not including

the own funds requirement imposed to cover the risk of excessive leverage, are not used to meet any of the following:

- the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;
- the combined buffer requirement;
- the guidance on additional own funds referred to in Article 228a, paragraph (3) of this Act, determined to cover the risk of excessive leverage.

(14) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act to cover the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, are not used to meet any of the following requirements:

- the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;
- the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013;
- the guidance on additional own funds referred to in Article 228a, paragraph (3) of this Act, determined to cover the risk of excessive leverage.

(15) The Croatian National Bank shall impose on the credit institution an additional own funds requirement referred to in Article 224, paragraph (1), item (20) of this Act in a decision in which it will justify the calculation of the full assessment of the elements referred to in paragraphs (1) to (14) of this Article, and in the case referred to in paragraph (1), item (7) of this Article, the justification shall include a statement of the reasons for which the imposition of guidance on additional own funds is no longer considered sufficient.

### *Guidance on additional own funds*

#### Article 228a

(1) Pursuant to the strategies and processes referred to in Article 113 of this Act, a credit institution shall assess and maintain its internal capital at an adequate level that is sufficient to cover all the risks that the credit institution is exposed to and ensure that its own funds can also cover potential losses resulting from stress scenarios, including the risks identified under the supervisory stress test referred to in Article 180, paragraph (5) of this Act.

(2) Within the framework of supervision referred to in Article 180 of this Act, the Croatian National Bank shall regularly analyse the level of the internal capital set by the credit institution in accordance with paragraph (1) of this Article and determine for each credit institution the appropriate level of own funds.

(3) The Croatian National Bank shall assess for each credit institution the need to determine the guidance on additional own funds, and if the guidance is required, it shall notify the credit institution thereof.

(4) The Croatian National Bank in a guidance on additional own funds may cover risks otherwise covered by the additional own funds requirement imposed in accordance with Article 224, paragraph (1), item (20) of this Act only to the extent that the guidance covers the elements of those risks that are not already covered under that requirement.

(5) The credit institution shall ensure that the own funds used to meet the requirement from the guidance on additional own funds, other than the portion used to cover the risk of excessive leverage, are not used to meet any of the following requirements:

- the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013; or
- the additional own funds requirement determined in accordance with Article 228 of this Act, imposed by the Croatian National Bank for risks, not determined to cover the risk of excessive leverage and that is not the combined buffer requirement.

(6) The credit institution shall ensure that the own funds used to meet the guidance on additional own funds, including the risk of excessive leverage, are not used to meet any of the following requirements:

- the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;
- the additional own funds requirement determined in accordance with Article 228 of this Act, imposed by the Croatian National Bank to cover the risk of excessive leverage; or
- the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013.

(7) The restrictions referred to in Articles 140, 141 or 142 of this Act shall not apply to the credit institution that meets the relevant own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402, the relevant additional own funds requirement referred to in Article 224, paragraph (1), item (20) of this Act and, where appropriate, the combined buffer requirement or the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013, and that does not meet the guidance on additional own funds.

### *Cooperation with resolution authorities*

#### Article 228b

The Croatian National Bank shall notify the resolution authority of:

- the additional own funds requirement imposed on the credit institution pursuant to Article 224, paragraph (1), item (20) of this Act; and
- the guidance on additional own funds communicated to the credit institution in accordance with Article 228a, paragraph (3) of this Act.

### XVIII.4 TRUSTEE

#### *Trustee of the Croatian National Bank*

#### Article 229

(1) The Croatian National Bank may appoint a trustee to a credit institution where it deems that a more detailed assessment and monitoring of the credit institution's financial position and operating conditions is necessary. The Croatian National Bank may remove a trustee from office during his term of office and appoint another trustee.

(2) The Croatian National Bank may in the decision to appoint a trustee appoint one or more assistants to the trustee of which one will be appointed deputy trustee.



- (3) An employee of the Croatian National Bank or another person may be appointed a trustee.
- (4) A trustee and assistant trustees shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.
- (5) The Croatian National Bank shall lay down the content of the report on the financial position referred to in Article 231 of this Act to be prepared by the trustee in the decision to appoint a trustee.
- (6) The term of office of the trustee and assistant trustees shall be laid down in the decision to appoint a trustee and shall not exceed 12 months.

### *Trustee's powers*

#### Article 230

- (1) A credit institution shall invite the trustee to the meetings of the management and supervisory board and meetings of their bodies and shall deliver to the trustee in a timely manner all documentation relevant to follow the meetings, and the trustee shall have the right to be present at the meetings and participate in their work, but shall not have the right to vote.
- (2) A trustee shall have the right to convene meetings of the management and supervisory board of the credit institution and meetings of their bodies, propose items on the agenda and submit proposals of decisions, and members of these bodies shall be obligated to attend.
- (3) A trustee or assistant trustee may not transfer his powers to other persons and is responsible for his work to the Croatian National Bank.
- (4) The credit institution and all its bodies shall make available to the trustee and his assistants all relevant documentation and shall provide them access to its business books.

### *Trustee's report on the credit institution's financial position*

#### Article 231

- (1) A trustee shall prepare a report on the credit institution's financial position and operating conditions, including an assessment of its financial stability and prospects for its continued operation (hereinafter referred to as 'the report on the financial position') and submit it to the Croatian National Bank within 30 days of appointment.
- (2) The Croatian National Bank shall submit the report referred to in paragraph (1) of this Article to the credit institution to make a statement.
- (3) The credit institution shall make a statement as regards the report referred to in paragraph (1) of this Article within five working days of its receipt.

### *Trustee's responsibility of additional reporting*

#### Article 232

- (1) A trustee shall without delay notify the Croatian National Bank of all circumstances which under his assessment may result in the credit institution failing to comply with imposed supervisory measures and of all circumstances which under his assessment may contribute to the deterioration of the credit institution's financial position or may contribute to the conditions for early intervention referred to in Article 235 of this Act being met.

(2) Where a trustee establishes at any time that the circumstances referred to in paragraph (1) of this Article have arisen, he shall prepare a special report thereon and submit it to the Croatian National Bank.

*Actions of the Croatian National Bank based on the trustee's report on the credit institution's financial position*

Article 233

(1) Pursuant to the report on the financial position the Croatian National Bank may impose on the credit institution a supervisory measure referred to in Articles 224, 225, 226 and 228 of this Act.

(2) Where the Croatian National Bank based on the report on the financial position assesses that the conditions referred to in Article 235 of this Act are met, it shall impose measures in accordance with Article 235a of this Act.

*Expiry of trustee's powers*

Article 234

The trustee's or assistant trustee's powers shall expire on the date:

- 1) of expiry of the period laid down in the decision on appointment;
- 2) of revocation of his appointment;
- 3) of the appointment of special administration;
- 4) of the appointment of a liquidator; or
- 5) of the appointment of resolution administration.

## **XIX EARLY INTERVENTION MEASURES AND PROCEDURE**

### **XIX.1 EARLY INTERVENTION**

*Conditions for early intervention*

Article 235

(1) The Croatian National Bank shall adopt a decision establishing that a credit institution is in an early intervention phase if any of the following conditions are met:

1) that by its actions or omission of particular actions the credit institution acted contrary to this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions, to the extent that jeopardises or might jeopardise its liquidity, solvency or business continuity; or

2) where, on the basis of information available to it, it may be reasonably expected that the credit institution will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions in the near future, to the extent that jeopardises or might jeopardise its liquidity, solvency or business continuity, due, in particular, to a rapidly deteriorating financial condition of the credit institution, including deteriorating liquidity situation, diminished capital adequacy, increasing level of leverage, non-performing loans or concentration of exposures, diminished sustainability of the

business model or diminished effectiveness and reliability of the governance arrangements and the internal control systems.

(2) The Croatian National Bank shall without delay transmit the decision referred to in paragraph (1) of this Article to the resolution authority.

### *Supervisory measures in the early intervention phase*

#### Article 235a

(1) Where the conditions referred to in Article 235, paragraph (1) of this Act are met, the Croatian National Bank may, in addition to other measures pursuant to this Act, in particular:

- 1) require the credit institution to implement one or more measures set out in the recovery plan;
- 2) if the circumstances that the recovery plan is based on changed, require the credit institution to amend the recovery plan and submit the amended recovery plan;
- 3) require the credit institution to examine the credit institution's financial situation in detail, draw up an action plan to address the identified weaknesses and set a timetable for its implementation;
- 4) require the credit institution to draw up a plan for negotiation on restructuring of debt of the credit institution with some or all of its creditors, according to the recovery plan, where applicable;
- 5) require the credit institution to change its business strategy;
- 6) require the credit institution to change its organisational structure;
- 7) require the credit institution to provide all the information necessary in order to supplement the resolution plan and prepare for the possible resolution and for valuation of the assets and liabilities of the credit institution in accordance with the Act on the Resolution of Credit Institutions and Investment Firms;
- 8) require the credit institution to convene the general assembly with the agenda set by the Croatian National Bank and propose decisions to be adopted by the general assembly;
- 9) convene the general assembly of the credit institution in the manner referred to in Article 235b of this Act, set the agenda and propose decisions to be adopted by the general assembly if the credit institution failed to implement the proposed measure referred to in item (8) of this paragraph;
- 10) require the credit institution to remove from office or replace the person performing the function of senior management of the credit institution if the person is not of a sufficiently good repute or does not possess adequate knowledge, skills or experience required to perform their functions;
- 11) require the credit institution to remove from office one or more members of senior management in accordance with Article 235c of this Act;
- 12) revoke the approval to one or more management or supervisory board members in accordance with Article 235c of this Act and appoint one or more deputy management board members;
- 13) appoint an administrator in accordance with Article 235d of this Act; and
- 14) adopt a decision to appoint a special administration in accordance with Article 236 of this Act.

(2) The provisions of this Act relating to supervisory measures shall apply *mutatis mutandis* to the procedure of imposing measures referred to in this Article.

(3) In the appeal proceedings against the decision to impose measures referred to in this Article, the competent administrative court may not decide that the appeal has the effect of staying the execution nor issue a temporary measure.

(4) When imposing measures during early intervention in credit institutions for which the Single Resolution Board is directly responsible, the Croatian National Bank shall cooperate with the Single Resolution Board in the manner laid down in Articles 12j and 13 of Regulation (EU) No 806/2014;

(5) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined.

### *Convening of the general assembly by the Croatian National Bank*

#### Article 235b

(1) Where the Croatian National Bank imposes on a credit institution a measure referred to in Article 235a, paragraph (1), item (8) of this Act and the credit institution fails to fully and in a timely manner implement the measure laid down in the decision, the Croatian National Bank may convene a general assembly and propose its agenda and decisions to be adopted by the general assembly. For the purposes of the general assembly, the Croatian National Bank shall prepare a report on the credit institution's operation based on the supervision exercised and disclose it to the credit institution's shareholders.

(2) Where the Croatian National Bank convenes a general assembly pursuant to paragraph (1) of this Article in order to increase or decrease the initial capital, it shall prepare and submit a report referred to in Article 263, paragraph (3) of the Companies Act.

(3) The general assembly shall be announced at least 30 days before its convening. The date of the announcement shall not be included in that period.

(4) Shareholders may neither submit counter-proposals nor add items to the agenda proposed by the Croatian National Bank.

### *Removal from office of senior management and the management board of a credit institution and appointment of deputy management board members*

#### Article 235c

(1) The Croatian National Bank may take measures referred to in paragraph (2) of this Article if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235a, paragraph (1), items (1) to (10) of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235a, paragraph (1), items (1) to (10) of this Act would not be sufficient to improve the position of the credit institution.

(2) Under the conditions referred to in paragraph (1) of this Article, the Croatian National Bank may:

1) require the credit institution to remove from office one or all members of senior management of the credit institution regardless of their repute or adequate knowledge, skills or experience required to perform their functions;

2) revoke the approval for the chairperson or a member of the management board of the credit institution regardless of their compliance with the conditions referred to in Article 38 of this Act; or

3) revoke the approval to perform the function of a member of the credit institution's supervisory board regardless of their compliance with the conditions referred to in Article 45 of this Act.

(3) In the case referred to in paragraph (2), item (2) of this Article the Croatian National Bank may appoint a deputy management board member to replace the removed member with all duties and responsibilities that the member had. The Croatian National Bank may remove a deputy management board member from office during his term of office and appoint another deputy management board member.

(4) The decision to appoint one or more deputy management board members shall specify:

– duties and responsibilities of the deputy management board member;

– the term of office for which the deputy management board member is appointed;

– time limits for regular reporting; and

– it may establish certain activities which the deputy management board member may undertake only subject to prior approval of the Croatian National Bank.

(5) The Croatian National Bank shall appoint a deputy management board member for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the deputy management board member, the Croatian National Bank shall justify its decision to the shareholders.

(6) Persons appointed as deputy member of the management board shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Title II.4 of this Act shall not apply to deputy members of the management board, with the exception of the provisions of Article 36, paragraphs (4) to (6) and Article 41, paragraphs (1) to (3) of this Act.

(7) A deputy member of the management board may be an employee of the Croatian National Bank or another person and shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(8) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint a deputy member of the management board of a credit institution under an emergency procedure, at the latest within 30 days of its receipt.

(9) The powers of a deputy management board member shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator; or

5) of the appointment of resolution administration.

(10) The rights and responsibilities of deputy members of the management board shall begin on the date of the adoption of the decision to appoint a deputy member of the management board regardless of the entry in the register of companies.

(11) Liability for damage caused by deputy members of the management board in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(12) The Croatian National Bank shall be responsible for the damage referred to in paragraph (11) of this Article.

(13) The Croatian National Bank shall be empowered to issue written orders and instructions to deputy members of the management board.

(14) The Croatian National Bank may in the decision to appoint a deputy management board member specify that the credit institution's management board may not adopt a decision if the decision is not voted for by the deputy management board member.

(15) Where the Croatian National Bank specified in the decision to appoint deputy management board members that the credit institution's management board may not adopt an individual decision if the decision is not voted for by the deputy management board member, this fact shall be entered in the register of companies as a limitation on the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(16) An application for entry of the limitations referred to in paragraph (15) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(17) Management and supervisory board members and all employees of the credit institution shall be required to cooperate with the deputy management board member.

### *Administrator*

#### Article 235d

(1) The Croatian National Bank may appoint an administrator if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235c of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235c of this Act would not be sufficient to improve the position of the credit institution.

(2) Persons appointed administrators shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Article 229, paragraphs (2) to (6) of this Act shall apply to the appointment of administrators. The Croatian National Bank may remove an administrator from office during his term of office and appoint another administrator.

(3) The administrator referred to in paragraph (1) of this Article shall in addition to duties and responsibilities in accordance with Articles 230 to 232 of this Act have at least one of the following responsibilities:

1) providing prior approval for specific decisions of the credit institution's management and supervisory boards; or

2) consult the credit institution's management and supervisory boards prior to taking decisions.

(4) The decision to appoint an administrator shall specify the duties and responsibilities of the administrator and set out the period for which the administrator is appointed and time limits for regular reporting. The Croatian National Bank may specify certain activities which the administrator may undertake only subject to prior approval of the Croatian National Bank.

(5) In the case referred to in paragraph (3), item (1) of this Article the management and supervisory boards shall not take their own decisions and the decisions taken without prior approval of the administrator shall be null and void.

(6) In the case referred to in paragraph (3), item (2) of this Article the management and supervisory boards shall consult the administrator when taking decisions.

(7) Where the Croatian National Bank specified in the decision to appoint an administrator that the credit institution's management or supervisory board may carry out or adopt certain activities or decisions only with prior approval of the administrator, this fact shall be entered in the register of companies as a limitation of the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(8) An application for entry of the limitations referred to in paragraph (7) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(9) The Croatian National Bank shall appoint an administrator for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in Article 235, paragraph (1) of this Act continue to be met. In the case of the extension of the term of office of the administrator, the Croatian National Bank shall justify its decision to the shareholders.

(10) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint an administrator of a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

(11) Liability for damage caused by the administrator or assistants of the administrator in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(12) The Croatian National Bank shall be responsible for the damage referred to in paragraph (11) of this Article.

(13) The powers of the administrator or the assistant shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator;

5) of the opening of bankruptcy proceedings; or

6) of the appointment of resolution administration.

## XIX.2 APPOINTMENT OF SPECIAL ADMINISTRATION

### *Decision to appoint a special administration*

#### Article 236

(1) The Croatian National Bank may adopt a decision to appoint a special administration of a credit institution if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235c of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235c of this Act would not be sufficient to improve the position of the credit institution.

(2) The Croatian National Bank may in the decision to appoint a special administration also appoint assistants to the special administration who will perform assistant, administrative and technical work ordered by the special administration. Assistants to a special administration shall not be members of the special administration.

(3) The decision to appoint a special administration:

– shall establish the reasons for the appointment of the special administration;

– shall appoint a chairperson and members of the special administration and may establish the scope of activities to be performed and administered by each member of the special administration;

– shall appoint assistants to the special administration;

– shall establish the period for which it is appointed;

– shall establish the content and time limits for the submission of the reports referred to in Article 244 of this Act; and

– may establish certain activities which the special administration may undertake only subject to prior approval of the Croatian National Bank.

(4) The Croatian National Bank shall appoint a special administration for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the special administration, the Croatian National Bank shall make available the explanation of its decision to the shareholders.

### *Legal remedy against a decision to appoint a special administration*

#### Article 237

The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint a special administration to a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

### *Members and assistants of the special administration*



#### Article 238

- (1) Members and assistants of the special administration shall be appointed to and removed from office by the Croatian National Bank.
- (2) The special administration of a credit institution shall have at least two members, one of which shall be appointed the chairperson of the special administration.
- (3) During the period of the special administration, the Croatian National Bank may remove from office an appointed member or assistant of the special administration and may appoint a new member or assistant of the special administration whose term of office may not exceed the original term of office of the special administration.
- (4) The rights and responsibilities of the members of the special administration shall begin on the date of delivery of the decision to appoint the special administration to the credit institution regardless of the entry in the register of companies.
- (5) Members of the special administration shall represent the credit institution individually.
- (6) Persons appointed members of the special administration shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Title II.4 of this Act shall not apply to members of a special administration, with the exception of the provisions of Article 36, paragraphs (4) to (6), Article 41, paragraphs (1) to (3) and Articles 48 and 49 of this Act.
- (7) Members and assistants of the special administration may be employees of the Croatian National Bank or other persons and they shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.
- (8) The term of office of a special administration shall be terminated on the date:
  - 1) of expiry of the period laid down in the decision on appointment;
  - 2) of the removal from office of a special administration;
  - 3) of the appointment of a liquidator;
  - 4) of the appointment of resolution administration; or
  - 5) of the appointment of deputy management board members in accordance with Article 245 of this Act.
- (9) The term of office of assistants to the special administration shall be terminated on the date of termination of the term of office of the special administration.

#### *Entry in the register of companies and publication of a decision to appoint a special administration*

#### Article 239

- (1) A decision to appoint a special administration shall be entered in the register of companies. At the same time, the list of persons authorised to represent the credit institution shall also be changed accordingly.
- (2) An application for entry of the data referred to in paragraph (1) of this Article shall be submitted by the special administration within three working days of the adoption of the decision to appoint the special administration of a credit institution. The decision to appoint the special administration shall be enclosed with the application.

(3) The Croatian National Bank shall deliver the decision to appoint the special administration to the credit institution, and management and supervisory board members without delay.

### *Legal effects of a decision to appoint a special administration*

#### Article 240

(1) On the date of the delivery of a decision to appoint a special administration to the credit institution, all rights and duties of the former management and supervisory boards shall cease and shall be entrusted to the special administration.

(2) On the date of the delivery of a decision to appoint a special administration to the credit institution, all contracts pursuant to which former management board members were employed with the credit institution shall be terminated.

(3) On the date of the delivery of a decision to appoint a special administration to the credit institution, prior approval to perform the function of the chairperson or a member of the credit institution's management board shall cease to be valid, as well as prior approval to perform the function of a credit institution's supervisory board member.

### *Liability for damage*

#### Article 241

(1) Liability for damage caused by the special administration or its assistants in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(2) The Croatian National Bank shall be responsible for the damage referred to in paragraph (1) of this Article.

### *Duty to cooperate on the part of former management board members and employees of the credit institution*

#### Article 242

(1) Former members of the credit institution's management board and other authorised persons with special powers and responsibilities shall provide the special administration and its assistants immediate access to all business and other documentation of the credit institution and prepare a report on the transfer of operations to the special administration.

(2) Former members of the credit institution's management board shall provide the special administration or its individual member all explanations and additional reports on the credit institution's operation.

(3) All employees of the credit institution shall be required to cooperate with the special administration and its assistants.

(4) Members of the special administration shall have the right to dismiss persons who hinder their work and, as circumstances may require, request the assistance of the competent body of the Ministry of the Interior.

### *Activities of the special administration*

#### Article 243

- (1) The special administration shall direct the business of the credit institution.
- (2) The Croatian National Bank shall be empowered to issue written orders and instructions to the special administration.
- (3) When directing the business of the credit institution the special administration shall comply with the limitations arising from the decision of the Croatian National Bank to appoint a special administration.
- (4) Where during the term of office of the special administration the credit institution transfers deposit or credit contracts to another credit institution, such transfer may be effected without prior approval of the other contracting party to the contract being transferred.

#### *Duties of the special administration*

#### Article 244

- (1) After its appointment the special administration shall prepare and deliver to the Croatian National Bank, within the time limit laid down by the Croatian National Bank, a report on the credit institution's financial position and operating conditions, including an assessment of its financial soundness and the prospects for its continued operation.
- (2) By way of derogation from paragraph (1) of this Article, the special administration shall not be required to prepare and deliver the report referred to in paragraph (1) of this Article where the report has been prepared by the trustee pursuant to Article 231, paragraph (1) of this Act or administrator pursuant to Article 235d, paragraph (3) of this Act immediately prior to the appointment of the special administration.
- (3) At the request of the Croatian National Bank, the special administration shall deliver additional reports and information on all matters relevant for the exercise of supervision or oversight and for assessing the credit institution's financial position and the prospects for its continued operation.
- (4) The special administration shall without delay notify the Croatian National Bank of all circumstances which may contribute to the deterioration of the credit institution's financial position.
- (5) The special administration shall act on the orders and instructions of the Croatian National Bank and regularly report to the Croatian National Bank on the execution of orders and instructions.
- (6) The Croatian National Bank may order the special administration to convene the credit institution's general assembly with a set agenda and proposals of decisions.
- (7) During the term of office of the special administration the general assembly of the credit institution may be convened only at the order or with prior approval of the Croatian National Bank. The special administration shall convene the general assembly at the latest within eight days of receipt of the order or prior approval from the Croatian National Bank referred to in paragraph (6) of this Article.
- (8) The provisions of Article 235b, paragraphs (3) and (4) of this Act shall apply to the convening of the general assembly.

*Appointment of deputy management board members from among the supervisory board members*

Article 245

(1) Where the general assembly of a credit institution to which special administration has been appointed adopted a decision to select or appoint the new supervisory board members, until the appointment of the new management board members but not longer than three months, the rights and duties of the credit institution's management board shall be given to two supervisory board members appointed as deputy management board members by the supervisory board. The supervisory board shall appoint deputy management board members within two working days of the date of its appointment and shall without delay notify the Croatian National Bank thereof.

(2) Where the Articles of Association of a credit institution provide for the supervisory board to have three members, the general assembly shall select or appoint to the new supervisory board five members of which two with the term of office until the appointment of new management board members.

*XIX.3 IMPOSING MEASURES IN THE EARLY INTERVENTION PHASE FOR A GROUP OF CREDIT INSTITUTIONS*

*Imposing measures in the early intervention phase where the Croatian National Bank is the consolidating supervisor*

Article 245a

(1) Where any of the conditions for early intervention or for the appointment of an administrator or special administration to the EU parent credit institution having its head office in the RC are met, the Croatian National Bank as a consolidating supervisor shall notify the European Banking Authority and consult the other competent authorities within the college of supervisors on the fulfilment of the said conditions and the intention to impose the measure referred to in Article 235a, paragraph (1) of this Act on the credit institution.

(2) Upon receipt of a statement from other competent authorities within the college of supervisors or after the expiry of the time limit for submitting the statement, the Croatian National Bank may impose on the EU parent credit institution having its head office in the RC the measure referred to in Article 235a, paragraph (1) of this Act. The Croatian National Bank shall set the time limit for submitting the statement which may not be longer than five days. Prior to reaching a decision on these measures the Croatian National Bank shall take into account the impact of those measures on the members of the credit institution in the RC and other Member States.

(3) The Croatian National Bank shall notify other competent authorities within the college of supervisors and the European Banking Authority of the measure referred to in paragraph (2) of this Article.

(4) If the competent authority of another Member State where the head office is located of a subsidiary of the EU parent credit institution having its head office in the RC intends to apply any of the measures provided for in a special regulation whose content is equivalent to the content of the measures referred to the Articles 27 and 29 of Directive 2014/59/EU to that subsidiary and has notified the Croatian National Bank as a consolidating supervisor thereof, the Croatian National Bank may state its opinion on the intended measures and assess the

impact of these measures on the EU parent credit institution having its head office in the RC, the group of credit institutions in the RC and other members of the group and notify the competent authority thereof within three days of receipt of the notification.

(5) Where the Croatian National Bank intends to impose the measure referred to in Article 235a, paragraph (1) of this Act on the EU parent credit institution having its head office in the RC, and where it receives a notification from one or more competent authorities of other Member States referred to in paragraph (4) of this Article, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned. The joint decision shall be reached within five days of the date when the Croatian National Bank delivered the notification of all intended measures. It must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC. Based on the joint decision the Croatian National Bank shall adopt a decision and deliver it to the member of the group of credit institutions in the RC for which the Croatian National Bank is the competent authority.

(6) Where the Croatian National Bank received the notification referred to in paragraph (4) of this Article from more than one competent authority of other Member States, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned. The joint decision shall be reached within five days of the date when the Croatian National Bank delivered the notification of all intended measures. It must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(7) In the process of reaching a joint decision referred to in paragraph (5) or (6) of this Article, the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(8) In the event of a disagreement on the adoption of a joint decision referred to in paragraph (4) of this Article and the competent authority of another Member State where the head office is located of a subsidiary of an EU parent credit institution having its head office in the RC intends to adopt measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Article 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU within the consultation period referred to in paragraph (4) of this Article, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010.

(9) If the joint decision referred to in paragraph (5) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision relating to the EU parent credit institution having its head office in the RC, taking into account the expressed views and

reservations of other competent authorities and the potential impact of these measures on the financial stability of the Member States concerned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(10) By way of derogation from paragraph (2) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (8) of this Article, any of the competent authority of other Member States refers the matter to the European Banking Authority and requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in conformity with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(11) By way of derogation from paragraphs (5) and (9) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (8) of this Article, the Croatian National Bank or any of the competent authorities of other Member States refers the matter to the European Banking Authority and requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in conformity with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

*Imposing measures in the early intervention phase where the Croatian National Bank is not the consolidating supervisor*

Article 245b

(1) Where the competent authority of another Member State is also the consolidating supervisor, the Croatian National Bank may, at the request of the consolidating supervisor, state its opinion in the process of taking a decision on the imposition of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU concerning the EU parent credit institution.

(2) Where the Croatian National Bank intends to impose the measure referred to in Article 235a, paragraph (1) of this Act on the credit institution having its head office in the Republic of Croatia, which is a subsidiary of an EU parent credit institution, it shall notify the consolidating supervisor and the European Banking Authority thereof.

(3) After consulting the consolidating supervisor which may not last longer than three days, the Croatian National Bank shall take its own decision referred to in paragraph (2) of this Article, taking into account the views of the consolidating supervisor. The Croatian National Bank shall notify the consolidating supervisor and other competent authorities within the college of supervisors and the European Banking Authority of that decision.

(4) Where more than one competent authority intends to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group of credit institutions in the EU, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on the possible coordination of the application of measures or appointment of the same temporary administrator provided for in a special regulation whose content is equivalent to the content of the measures

referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group. The joint decision shall be reached within five days of receipt of the notification from the consolidating supervisor on the intention to impose some of these measures in more than one member of the group. Based on the joint decision the Croatian National Bank shall take a decision and deliver it to the member of the group of credit institutions in the EU for which the Croatian National Bank is the competent authority.

(5) In the process of reaching a joint decision referred to in paragraph (4) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(6) In the event of a disagreement on the adoption of the decision referred to in paragraph (3) of this Article, which relates to the measures referred to in Article 235a of this Act whose content corresponds to the content of the measures referred to in Article 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU and where the consolidating supervisor referred the matter to the European Banking Authority and requested its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority took the decision within three days of receipt of the application for assistance, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority.

(7) Where the joint decision referred to in paragraph (4) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision to apply measures to the credit institution with a head office in the RC which is a subsidiary of a credit institution in the EU.

(8) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within the set consultation period and upon receipt of the notification from the consolidating supervisor on the intention to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Article 27, paragraph (1), item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU to the EU parent credit institution if it disagrees with the proposal of the consolidating supervisor.

(9) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within five days of receipt of the notification from the consolidating supervisor where there is a disagreement on the adoption of the joint decision referred to in paragraph (4) of this Article. Where the European Banking Authority takes its decision within three days of receipt of the application for assistance, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

## XIX.4 SPECIAL MANAGEMENT AND REORGANISATION OF BRANCHES OF THIRD-COUNTRY CREDIT INSTITUTIONS

### *Decision to appoint a special management of a branch of a third-country credit institution*

#### Article 246

(1) The Croatian National Bank shall adopt a decision to appoint a special management of a branch of a third-country credit institution in the Republic of Croatia (hereinafter referred to as 'decision on a special management') in the following cases:

1) where a branch of a third-country credit institution was ordered to implement supervisory measures and it failed to begin implementing such measures or failed to implement such measures in a timely manner, owing to which its continued operation could jeopardise its liquidity or solvency and where a special management is necessary to protect the interests of its creditors;

2) where a branch of a third-country credit institution fails to meet any of the capital ratios referred to in Article 92 of Regulation (EU) No 575/2013; or

3) where continued operation of a branch of a third-country credit institution would or could jeopardise its liquidity or solvency and it is necessary to protect the interests of its creditors.

(2) By way of derogation from the provisions of paragraph (1) of this Article, where the Croatian National Bank establishes the existence of facts indicating a high probability of improvement of the branch's position, it may postpone the adoption of a decision on a special management.

(3) A special management shall be appointed by a decision of the Croatian National Bank. The decision shall establish the reasons for the appointment of the special management in the case in point, the names of special management members, the scope of activities to be performed and/or administered by each member of the special management, and the duration of the special management, which may not exceed one year from the date of the adoption of the decision.

(4) The Croatian National Bank shall be competent to issue instructions to the special management for directing the business of the branch.

### *Legal remedy against a decision on a special management*

#### Article 247

(1) The former management of a branch and a third-country credit institution (founder) shall have the right to appeal against the Croatian National Bank's decision on the special management to the administrative court within 30 days of the delivery of the decision in question.

(2) The competent administrative court shall decide on the appeal referred to in paragraph (1) of this Article under an emergency procedure and at the latest within 30 days of its receipt.

### *Application of the provisions of this Act to the special management of a branch of a third-country credit institution*

#### Article 248



The provisions of Articles 238, 239, 242, 243, 244 and 245 of this Act shall apply *mutatis mutandis* to the special management of a branch of a third-country credit institution.

#### Article 249

*Deleted.*

## **XX WINDING-UP OF CREDIT INSTITUTIONS**

### **XX.1 VOLUNTARY WINDING-UP OF CREDIT INSTITUTIONS**

#### *Initiation of voluntary winding-up proceedings*

#### Article 250

- (1) A credit institution intending to reach a decision on the dissolution of the undertaking shall prepare and deliver to the Croatian National Bank a winding-up plan, not later than three months prior to the planned invitation to convene a general assembly. The winding-up plan shall be delivered with the approval of the supervisory board of that plan.
- (2) The Croatian National Bank shall, at the latest within three months of the delivery of the winding-up plan, issue a positive opinion on the winding-up plan or a decision refusing the winding-up plan.
- (3) The Croatian National Bank shall refuse the winding-up plan where it assesses that the voluntary winding-up could be detrimental to the rights of the creditors or the financial system of the Republic of Croatia or identifies the existence of any reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan. The Croatian National Bank may impose appropriate measures on the credit institution.
- (4) The general assembly of a credit institution shall not reach a decision on the dissolution of the undertaking until the Croatian National Bank issues a positive opinion of the winding-up plan referred to in paragraph (2) of this Article.
- (5) The decision of the general assembly on the dissolution of the undertaking shall not have legal effects and shall not be entered in the register of companies without the positive opinion of the Croatian National Bank referred to in paragraph (2) of this Article on the winding-up plan.
- (6) The credit institution shall specify the date of the initiation of voluntary winding-up proceedings in the decision of the general assembly on the dissolution of the undertaking, which must be set at the latest within five days of adopting the decision on the dissolution of the undertaking.
- (7) As at the date of the decision on the dissolution of the undertaking, the credit institution referred to in paragraph (6) of this Article shall immediately notify the Croatian National Bank of the decision reached. The credit institution shall deliver to the Croatian National Bank an order for the transfer of assets from its accounts with the Croatian National Bank to the transaction account with another credit institution before the end of the working day preceding the day of initiation of voluntary winding-up proceedings. After the transfer of assets, the Croatian National Bank shall close the accounts of the credit institution in voluntary winding-up proceedings.
- (8) Where the credit institution fails to meet the obligation referred to in paragraph (7) of this Article, the Croatian National Bank shall close the accounts of the credit institution and transfer

the assets from these accounts to the account of the credit institution in voluntary winding-up proceedings opened with another credit institution upon receipt of the transfer order from the liquidator.

(9) The liquidators shall publish the decision on the dissolution of the undertaking on the website of the credit institution in voluntary winding-up proceedings as at the date of initiation of the voluntary winding-up proceedings and shall without delay ensure the decision to be published in at least two daily newspapers published in the Republic of Croatia.

(10) The credit institution in voluntary winding-up proceedings shall obtain prior approval for any material changes to an approved winding-up plan.

(11) The liquidators shall deliver to the Croatian National Bank reports on the progress of voluntary winding-up proceedings.

(12) Credit institutions in voluntary winding-up proceedings shall create annual financial statements for each business year in the course of voluntary winding-up proceedings. The annual financial statements of credit institutions in winding-up proceedings shall be subject to statutory audit. For the purposes of this paragraph, a business year shall correspond to a calendar year.

(13) The Croatian National Bank shall adopt subordinate legislation to further regulate the content of the winding-up plan, the content of and time limits for the submission of the reports on the progress of voluntary winding-up proceedings referred to in paragraph (11) of this Article.

### *Liquidators of a credit institution in voluntary winding-up proceedings*

#### Article 251

(1) A credit institution in voluntary winding-up proceedings shall have at least two liquidators.

(2) Only natural persons who meet the criteria laid down for members of the credit institution's management board in accordance with this Act may be appointed as liquidators of a credit institution in voluntary winding-up proceedings.

### *Duties of liquidators*

#### Article 252

(1) Liquidators of a credit institution in voluntary winding-up proceedings shall finalise pending activities, collect the claims, realise assets of the credit institution and settle obligations to creditors.

(2) To the extent necessary for carrying out winding-up proceedings, liquidators may conclude new transactions.

### *Application of the provisions of this Act to credit institutions in voluntary winding-up proceedings*

#### Article 253

(1) The provisions of this Act shall apply *mutatis mutandis* to credit institutions in voluntary winding-up proceedings.

(2) The lapsing of the authorisation of a credit institution shall have the same legal consequences in relation to deposit insurance as the revocation of the credit institution's authorisation.

(3) The provisions of the act governing the operation of undertakings shall apply to credit institutions undergoing voluntary winding-up proceedings, unless otherwise provided for in this Act.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of application of the provisions of this Act to credit institutions in voluntary winding-up proceedings and the obligations of credit institutions in voluntary winding-up proceedings.

#### Article 254

*Deleted.*

#### *Prohibition of changes in the activity of credit institutions in voluntary winding-up proceedings*

#### Article 254a

A credit institution that initiated voluntary winding-up proceedings may not change its activity so as to cease providing banking services and continue operating, but must close the winding-up proceedings and apply for its removal from the register of companies.

#### Article 255

*Deleted.*

#### Article 256

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#### Article 257

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#### Article 258

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#### Article 259

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#### Article 259a

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Article 259b

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Article 259c

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Article 261

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Article 275e

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Article 276

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## **XXII SUPERVISION ON A CONSOLIDATED BASIS**

### *Supervision on a consolidated basis*

Article 277

(1) In addition to exercising supervision of credit institutions in the Republic of Croatia on an individual basis, the Croatian National Bank shall exercise supervision of groups of credit institutions in the Republic of Croatia on a consolidated basis.

(2) By way of derogation from paragraph (1) of this Article, when the European Central Bank is the consolidating supervisor, the Croatian National Bank may participate in supervision on a consolidated basis and in a college of supervisors as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

(3) When the consolidating supervisor is a supervisory authority from a non-participating Member State in the supervision on a consolidated basis or in a college of supervisors in relation to a significant supervised entity, the Croatian National Bank may participate as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

(4) In order to ensure that requirements or supervisory powers are applied on a consolidated or sub-consolidated basis, for the purposes of Articles 97 and 97a of this Act and this Title, the terms 'institution', 'parent institution in a Member State', 'RC parent institution', 'EU parent institution', 'EU parent institution having its head office in the RC' and 'parent undertaking' shall also include:

a) financial holding companies and mixed financial holding companies that have been granted authorisation in accordance with this Act or in accordance with the relevant provisions of regulations in force in another Member State;

b) designated institutions controlled by an EU parent financial holding company, an EU parent mixed financial holding company, a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State where the relevant parent is not subject to authorisation in accordance with Article 73a, paragraph (6) of this

Act or in accordance with the relevant provisions of regulations in force in another Member State; and

c) financial holding companies, mixed financial holding companies or institutions designated pursuant to Article 73a of this Act or relevant provisions of the regulations in force in another Member State.

### *Group of credit institutions in the Republic of Croatia*

#### Article 278

(1) A group of credit institutions in the Republic of Croatia (hereinafter referred to as 'group of credit institutions in the RC') shall include credit institutions, investment firms and financial institutions having their head office in the Republic of Croatia or in another country, within which at least one institution has the status of:

- 1) an RC parent credit institution;
- 2) an EU parent credit institution having its head office in the RC;
- 3) an RC parent financial holding company of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;
- 4) an EU parent financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;
- 5) an RC parent mixed financial holding company of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;
- 6) an EU parent mixed financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;
- 7) a credit institution authorised by the Croatian National Bank which is linked by management on a unified basis with another credit institution, investment firm or financial institution in the manner referred to in Article 15, paragraph (1), items (1) and (3) of this Act;
- 8) an RC parent investment firm or an EU parent investment firm having its head office in the RC, where at least one of its subsidiaries is a credit institution in the RC or where there are more credit institution subsidiaries, the credit institution having its head office in the RC with the largest balance sheet total.

(2) The Croatian National Bank may in particular cases specify in a decision that a group of credit institutions in the RC also includes credit institutions, investment firms and financial institutions linked in the manner referred to in Article 15, paragraph (1), item (2) of this Act.

(3) Where two or more institutions authorised in the European Union have a joint parent financial holding company in the RC, parent mixed financial holding company in the RC, EU parent financial holding company having its head office in the RC or EU parent mixed financial holding company having its head office in the RC, a group of credit institutions in the RC shall exist if the parent holding company has as its subsidiary:

- 1) only one credit institution authorised by the Croatian National Bank; or
- 2) several credit institutions and a credit institution authorised by the Croatian National Bank with the largest balance sheet total.

(4) A group of credit institutions in the RC shall also exist in the cases where consolidation is required pursuant to Article 18, paragraph (3) or Article 18, paragraph (6) of Regulation (EU)

No 575/2013 and where the Croatian National Bank is the competent authority of the credit institution with the largest balance sheet total.

(5) By way of derogation from paragraph (1), items (1) to (8), paragraph (3), item (2) and paragraph (4) of this Article, a group of credit institutions in the RC shall exist where the sum of the balance sheet totals of credit institutions members of a group of credit institutions authorised by the Croatian National Bank is higher than the balance sheet total of the credit institutions members of the group of credit institutions supervised on an individual basis by another competent authority.

### *Special cases of inclusion in a group of credit institutions in the RC*

#### Article 279

(1) The Croatian National Bank may require an RC parent credit institution, an EU parent credit institution having its head office in the RC, a legal person that is neither a credit institution, an investment firm nor a financial institution or a credit institution that is linked with such a legal person in the manner referred to in Article 15 of this Act, to include in a group of credit institutions in the RC all members of the group and to carry out consolidation in accordance with this Act and the regulations of the European Union governing the operation of credit institutions of all members of the group regardless of their activity, where this is relevant for a comprehensive and objective presentation of the credit institution's financial position and operating results.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall issue a decision to determine how consolidation is to be carried out.

### *Assumption and delegation of responsibility for supervision on a consolidated basis*

#### Article 280

(1) Where the Croatian National Bank is not the consolidating supervisor, it may, taking into account the relative importance of activities in other Member States of individual members of a group of credit institutions in the RC, by common agreement with the competent authorities of these Member States, assume the responsibility for supervision on a consolidated basis from the competent authority of a Member State in which another credit institution within the group has its head office.

(2) Where the Croatian National Bank is the consolidating supervisor, it may, in particular cases referred to in Article 278 of this Act, taking into account the relative importance of activities in other Member States of individual members of a group of credit institutions in the RC, by common agreement with the competent authorities of these Member States, delegate the responsibility for supervision on a consolidated basis to the competent authority of a Member State in which another institution within the group has its head office.

(3) Before adopting a decision to delegate the responsibility referred to in paragraph (2) of this Article, the Croatian National Bank shall give the EU parent credit institution having its head office in the RC, EU parent financial holding company having its head office in the RC, EU parent mixed financial holding company having its head office in the RC, or credit institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision.



## *Inclusion of holding companies in supervision on a consolidated basis*

### Article 281

(1) Subsidiary members of a group of credit institutions in the RC shall deliver to an RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the authorisation referred to in Article 73a of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC:

- 1) the data relevant for the purposes of consolidation;
- 2) ensure adequate internal control procedures to verify the correctness of such data and information; and
- 3) deliver the data relevant to determine the scope of consolidation.

(2) An RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the authorisation referred to in Article 73a of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC shall ensure that subsidiary members of a group of credit institutions in the RC deliver to it the data relevant for the purposes of consolidation.

(3) Subsidiary members of a group of credit institutions in the RC, the parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act and the parent financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act shall enable the Croatian National Bank, as the competent authority responsible for supervision on a consolidated basis, to exercise supervision of their operations for the purpose of verifying the information referred to in paragraphs (1) and (2) of this Article.

(4) The parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in supervision on a consolidated basis of the parent undertaking pursuant to Article 19 of Regulation (EU) No 575/2013 shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising that credit institution.

(5) The legal person referred to in Article 19 of Regulation (EU) No 575/2013 which is a subsidiary of an RC parent credit institution, an EU parent credit institution having its head office in the RC, the mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act or the financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act, and which is not included in supervision on a consolidated basis, shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising individual credit institutions within the group of credit institutions in the RC, and enable the carrying out of on-site inspections to verify the information delivered.

(6) Where the person referred to in paragraph (5) of this Article has its head office in another Member State, the examinations referred to in paragraph (5) of this Article shall be carried out in accordance with Article 295 of this Act.

(7) Where the equivalent provisions under this Act and under the regulations governing the provision of insurance services, in particular in terms of risk-based supervision apply to mixed

financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, in agreement with the group supervisor in the insurance sector, apply to that mixed financial holding company only the provisions of regulations relating to the most significant financial sector as defined in accordance with regulations governing supplementary supervision of financial conglomerates.

### *Supplementary supervisory tasks on a consolidated basis*

#### Article 282

(1) In cases where the Croatian National Bank is the consolidating supervisor, in addition to the obligations imposed by the provisions of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall carry out the following tasks:

1) coordination of the gathering and dissemination of relevant or essential information between the competent authorities of other countries 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 of supervision on a consolidated basis, in cooperation with the competent authorities of other countries involved; and

3) planning and coordination of supervisory activities in cooperation with the competent authorities of other countries involved, and if necessary, with the central banks of the European System of 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 288, paragraph (5), item (4) of this Act, the preparation of joint assessments, the implementation of contingency plans and communication to the public.

(2) Where the competent authorities involved in supervision on a consolidated basis fail to cooperate with the Croatian National Bank in the manner that ensures the fulfilment of obligations referred to in paragraph (1) of this Article, in cases where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(3) In cases where the Croatian National Bank is not the consolidating supervisor and the consolidating supervisor fails to fulfil the obligations equivalent to the obligations referred to in paragraph (1) of this Article, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

### *College of supervisors*

#### Article 283

(1) If any of the members of a group of credit institutions in the RC has a head office in another Member State and the Croatian National Bank is the consolidating supervisor, the Croatian National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 282, 284 and 286 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 this Act on the confidentiality of information and comparability with Croatian law, ensure appropriate coordination and cooperation with relevant third-country competent authorities.

(2) Where the Croatian National Bank is the consolidating supervisor, all the members of a group of credit institutions that do not have a head office in the RC have a head office in a third country, the Croatian National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 282, 286 and 287 of this Act, provided that the competent authorities in a third country are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 206 of this Act and, if applicable, to the requirements relating to the duty to protect the confidentiality of information in its content equal to that in the regulations governing the financial instruments markets.

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

- 1) exchanging information, whereby the exchange of information with the European Banking Authority is carried out in accordance with Article 21 of Regulation (EU) No 1093/2010;
- 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 286 and Article 288, paragraph (6) of this Act;
- 5) consistently applying the prudential requirements under this Act, other special regulations and Regulation (EU) No 575/2013 across all members within a group of credit institutions without prejudice to the options and discretions available in the regulations of the European Union governing the operation of credit institutions; and
- 6) carrying out the tasks referred to in Article 282, paragraph (1), item (3) of this Act taking into account the work of other forums that may be established in this area.

(4) The Croatian National Bank shall cooperate closely with other competent authorities participating in the supervisory college and the European Banking Authority taking into account the responsibilities of the competent authorities. The establishment and functioning of the college shall not affect the responsibilities of the Croatian National Bank under this Act and Regulation (EU) No 575/2013.

(5) The exchange of information within the framework of colleges of supervisors established under this Article shall not constitute a breach of the duty to protect the confidentiality of information referred to in this Act.

(6) Where the Croatian National Bank is the consolidating supervisor, it shall, pursuant to Article 287 of this Act, in cooperation with other competent authorities regulate the establishment and the operation of a college of supervisors by a written agreement.

(7) The Croatian National Bank as the consolidating supervisor may also invite the following to participate in the activities of the college:

- the competent authorities of the Republic of Croatia or other Member States in which a member of a group of credit institutions in the RC has its head office;

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

(8) In addition to the authorities referred to in paragraph (7) 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 208 of this Act, also invite third countries' competent authorities to participate in the college.

(9) Where the Croatian National Bank is the consolidating supervisor, it shall enable the participation in the college of supervisors to the competent authority from the Member State in which the financial holding company or mixed financial holding company is established and which has been authorised in accordance with Article 73a of this Act.

(10) The Croatian National Bank as the consolidating supervisor 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.

(11) The Croatian National Bank as the consolidating supervisor 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 204, paragraphs (5) and (6) of this Act.

(12) Subject to the provisions of this Act on the confidentiality of information, the Croatian National Bank as the consolidating supervisor shall inform the European Banking Authority of the activities of the college of supervisors, including in emergency situations, and shall communicate to it all information that is of particular relevance for the purposes of supervisory convergence.

(13) In the event of a disagreement between competent authorities on the functioning of the college of supervisors, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(14) Where the European Banking Authority in accordance with Article 21 of Regulation (EU) No 1093/2010 participates in the work of the college of supervisors, it shall be considered the competent authority.

*Joint decisions on institution-specific prudential requirements where the Croatian National Bank is the consolidating supervisor*

Article 284

(1) Where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank and the competent authorities of the other Member States in which there are head offices of other undertakings included in a group of credit institutions in the RC shall cooperate to reach a joint decision:

1) in the field of the 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 RC with respect to its financial situation and risk profile and the imposition of an additional required level of own funds in accordance with Article 224, paragraph (1), item (20) of this Act to each member of the group of credit institutions in the RC and on a consolidated basis;

2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 225 of this Act; and

3) on the application of the guidance on additional own funds referred to in Article 228a of this Act.

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

- the risk assessment of the group of credit institutions in the RC and the need to impose additional own funds requirement in accordance with Article 228 of this Act;

- the assessment of the liquidity risk profile of the group of credit institutions in the RC and the need to impose supervisory measures in accordance with Article 224 of this Act and a specific liquidity requirement in accordance with Article 225 of this Act; and

- the risk assessment of the group of credit institutions in the RC and the need to issue the guidance in accordance with Article 228a of this Act.

(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 RC performed by relevant competent authorities of other Member States.

(4) The joint decision referred to in paragraph (1), items (1) and (2) of this Article must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(5) In the event of a disagreement on the adoption of the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank shall at the request of the competent authority of another Member State consult the European Banking Authority or the Croatian National Bank may also consult the European Banking Authority on its own initiative.

(6) In the absence of a joint decision within the time period referred to in paragraph (3) of this Article, the decisions on the application of Article 224, paragraph (1), item (20) of this Act and Articles 225, 228 and 228a of this Act 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 RC performed by relevant competent authorities. The Croatian National Bank shall take a decision on each member of the group within its competence.

(7) By way of derogation from paragraph (6) of this Article, where within four months after submission of the report referred to in paragraph (2) of this Article and prior to the reaching of a joint decision, the Croatian National Bank or any other competent authority of other Member States has referred the matter to the European Banking Authority in accordance with Article 19

of Regulation (EU) No 1093/2010 and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010, provided that after the expiry of the four-month period or after the reaching of a joint decision the matter is not referred to the European Banking Authority.

(8) In the case referred to in paragraph (6) of this Article, the decisions of all competent authorities for individual members of the group of credit institutions in the RC 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 RC, and views and reservations expressed during the time period referred to in paragraph (3) of this Article. The Croatian National Bank shall deliver the document to all competent authorities referred to in paragraph (1) of this Article and to the EU parent credit institution having its head office in the RC.

(9) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall consider the advice of the European Banking Authority, and explain any significant deviation therefrom.

(10) Based on the decisions referred to in paragraph (4), (5), (7) or (8) 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 RC within its competence.

(11) The Croatian National Bank shall update the decisions referred to in paragraph (4), (5), (7) or (8) of this Article on an annual basis at a minimum.

(12) By way of derogation from paragraph (11) of this Article, the Croatian National Bank shall update the decisions referred to in paragraph (1) of this Article 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.

*Joint decisions on institution-specific prudential requirements where the Croatian National Bank is not the consolidating supervisor*

Article 285

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on:

1) in the field of the 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 relevant group of credit institutions with respect to its financial situation and risk profile and the imposition of an additional required level of own funds in accordance with Article 224, paragraph (1), item (20) of this Act to each member of the relevant group of credit institutions and on a consolidated basis;

2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 225 of this Act; and

3) on the application of the guidance on additional own funds referred to in Article 228a of this Act.

(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 relevant group of credit institutions within its competence, the Croatian National Bank shall prepare a report on:

– the risk assessment of a member of the relevant group of credit institutions within its competence and the need to impose additional own funds requirement in accordance with Article 228 of this Act;

– the assessment of the liquidity risk profile of a member of the relevant group of credit institutions within its competence and the need to impose supervisory measures in accordance with Article 224 of this Act and a specific liquidity requirement in accordance with Article 225 of this Act; and

– the risk assessment of a member of the relevant group of credit institutions within its competence and the need to issue the guidance in accordance with Article 228a of this Act.

(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 relevant group of credit institutions within its competence.

(4) In the event of a 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 European Banking Authority.

(5) Where, at the request of the consolidating supervisor, the European Banking Authority 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 (6) of this Article, and explain any significant deviation therefrom.

(6) In the absence of a joint decision referred to in paragraph (1) of this Article within four months after submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions, the Croatian National Bank shall take the decision referred to in Article 224, paragraph (1), item (20) and/or Articles 225, 228 and 228a of this Act on each member of the group or on a sub-consolidated basis for the group within its competence after duly considering the views and reservations expressed by the consolidating supervisor.

(7) By way of derogation from paragraph (6) of this Article, where the Croatian National Bank or another competent authority of a Member State, within four months of the submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions referred to in paragraph (2) of this Article, and prior to the reaching of a joint decision, has referred the matter to the European Banking Authority and where the European Banking Authority takes a decision, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010, provided that after the expiry of the four-month period or after the reaching of a joint decision the matter is not referred to the European Banking Authority.

(8) 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.

(9) The Croatian National Bank shall update the decisions referred to in paragraph (6) or (7) of this Article on an annual basis at a minimum.

### *Notification of an emergency situation*

#### Article 286

(1) Where the Croatian National Bank is the consolidating supervisor and an emergency situation arises, including the situation referred to in Article 18 of Regulation (EU) No 1093/2010 or a situation of adverse developments in markets, which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States where the members of a group of credit institutions have been authorised or where significant branches of a credit institution established in the Republic of Croatia provide services, the Croatian National Bank shall, in accordance with the provisions of this Act governing the exchange of confidential information, immediately notify the European Banking Authority, the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act and the European Systemic Risk Board and shall communicate all information 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 notify the consolidating supervisor in another Member State using existing defined channels of communication.

(3) Where the Croatian National Bank is the competent authority responsible for supervision on a consolidated basis and needs information on a group of credit institutions which has already been given to another competent authority, the Croatian National Bank shall contact this authority whenever possible in order to prevent duplication of reporting to the various competent authorities involved in supervision.

### *Coordination and cooperation agreements*

#### Article 287

(1) In order to facilitate and establish effective supervision on a consolidated basis, the Croatian National Bank shall conclude written coordination and cooperation agreements with the other competent authorities involved in supervision.

(2) Under the agreements referred to in paragraph (1) of this Article, additional tasks may be entrusted to the consolidating supervisor and procedures for the decision-making process and for cooperation with other competent authorities may be specified.

(3) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 delegate its responsibility for supervision to the competent authorities which authorised and supervise the parent credit institution so that they assume responsibility for supervising the subsidiary credit institution which has its head office in the Republic of Croatia.

(4) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 assume responsibility for supervision of a credit institution in a Member State the parent undertaking of which is a credit institution which has its head office in the Republic of Croatia from the competent authorities which authorised and supervise the credit institution.

(5) Where the consolidating and the competent authority for a financial holding company or a mixed financial holding company authorised in accordance with Article 73a of this Act



are not the same, the Croatian National Bank as the consolidating or the competent authority shall conclude coordination and cooperation agreements referred to in paragraph (1) of this Article with the other competent authorities in the Member State in which the financial holding company or mixed financial holding company is established.

*Exchange of information between the competent authorities of the Member States*

Article 288

(1) The Croatian National Bank shall cooperate with the competent authorities of other Member States and provide them with any information which is essential or relevant for the exercise of supervisory tasks in accordance with this Act and Regulation (EU) No 575/2013. In that regard, the Croatian National Bank shall communicate to other competent authorities:

1) on request, all relevant information or all information related to the exercise of the other authorities' supervisory tasks; or

2) on its own initiative, all essential information if it could materially influence the assessment of the financial soundness of a credit institution or financial institution in another Member State.

(2) The Croatian National Bank shall cooperate with the European Banking Authority for the purposes of implementing this Act and Regulation (EU) No 575/2013 and in accordance with Regulation (EU) No 1093/2010 and shall provide it with the information necessary to carry out its tasks under Regulation (EU) No 1093/2010 in the manner governed by Article 35 of Regulation (EU) No 1093/2010.

(3) The Croatian National Bank may refer to the European Banking Authority any of the following situations:

a) where a competent authority has not communicated essential information; and

b) where another competent authority has rejected a request for cooperation or has not acted upon a request for cooperation within a reasonable time, in particular upon a request to exchange relevant information.

(4) Where the Croatian National Bank is the consolidating supervisor of an EU parent credit institution having its head office in the RC, a credit institution controlled by an EU parent mixed financial holding company having its head office in the RC or a credit institution controlled by an EU parent financial holding company having its head office in the RC, it shall provide the competent authorities in other Member States who supervise subsidiaries of these parents all relevant information. In determining the extent of relevant information, the importance of those subsidiaries within the financial system in those Member States shall be taken into account.

(5) For the purposes of this Article, information shall be regarded as essential if it could materially influence the assessment of the financial soundness of a particular member of a group of credit institutions in another Member State. It shall include, in particular, the following items:

1) essential information on legal relationships in a group and the management and organisational structure of the group, including all regulated and unregulated entities, unregulated subsidiary undertakings and significant branches belonging to the group and parent undertakings, in accordance with Article 67, paragraph (1), items (2) and (3), Article 97, paragraphs (5) and (6) and Article 101 of this Act, as well as essential information on the competent authorities responsible for the supervision of regulated entities in a group;

2) major procedures for collecting information from the credit institutions in a group, and the checking of that information;

3) adverse developments in credit institutions or in other members of a group, which could seriously affect other credit institutions in the group; and

4) penalties and exceptional measures taken by the competent authority against a credit institution, including the imposition of any additional specific own funds requirements under Articles 224 and 228 of this Act and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(6) Where the Croatian National Bank is the competent authority responsible for the supervision of a credit institution controlled by an EU parent credit institution, it shall whenever possible contact the consolidating supervisor when it needs information regarding the implementation of approaches and methodologies set out in this Act and Regulation (EU) No 575/2013 that may already be available to that competent authority.

*Cooperation with the competent authorities of the Member States which are involved  
in supervision on a consolidated basis*

Article 289

(1) The Croatian National Bank shall, before adopting a decision that is of importance for other competent authorities' supervisory tasks, consult these competent authorities with regard to:

1) changes in the shareholder, organisational or management structure of credit institutions in a group, which require the approval or authorisation of the competent authorities; and

2) exceptional measures it intends to take, including the imposition of an additional specific own funds requirement and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(2) In the cases referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall consult the consolidating supervisor.

(3) By way of derogation from paragraphs (1) and (2) of this Article, the Croatian National Bank may decide not to consult in cases of urgency or where such consultation may jeopardise the effectiveness of the decision. In such cases, the Croatian National Bank shall without delay notify the other competent authorities of the decision adopted.

(4) The Croatian National Bank shall, within its competence, cooperate and exchange the information relevant for the performance of tasks under this Act, Regulation (EU) No 575/2013 and regulations governing the prevention of money laundering and terrorist financing with the Anti-Money Laundering Office and other competent supervisory authorities in supervising credit institutions with regard to the regulations governing the prevention of money laundering and terrorist financing, provided that such cooperation and exchange of information does not interfere with the ongoing enquiries, investigations or procedures in accordance with criminal or administrative law of the Member State in which the competent authority, the financial intelligence unit or another public authority competent for supervision is located, entrusted with the public authority to supervise the entities referred to in Article 2, paragraph (1), items (1) and (2) of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the

Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015) within the scope of their competence.

(5) Where the Croatian National Bank as the consolidating supervisor is not at the same time designated as the coordinator under regulations governing supervision of financial conglomerates, the Croatian National Bank shall cooperate with the coordinator for the parent mixed financial holding company in the application of the provisions of this Act and Regulation (EU) No 575/2013 on a consolidated basis.

(6) For the purposes of paragraph (5) of this Article, the Croatian National Bank and the coordinator shall conclude a written mutual cooperation arrangement.

### *Regulations regarding supervision on a consolidated basis*

#### Article 290

Regarding supervision on a consolidated basis, the Croatian National Bank may adopt subordinate legislation to further regulate:

- 1) obligations of an RC parent credit institution or an EU parent credit institution having its head office in the RC or a credit institution which has its head office in the RC and is a subsidiary of an RC parent financial holding company or of an RC parent mixed financial holding company;
- 2) conditions under which individual members of a group of credit institutions in the RC may be included in or excluded from supervision on a consolidated basis;
- 3) provisions on the method of consolidation for the purposes of supervision on a consolidated basis;
- 4) the form and content of consolidated financial statements and supervisory reports, and the method of and time limits for reporting to the Croatian National Bank;
- 5) the method of identifying a parent credit institution; and
- 6) the method of and conditions for reporting on intra-group transactions for mixed-activity holding companies and their subsidiary undertakings.

### *Obligations of mixed-activity holding companies and their subsidiaries regarding supervision on a consolidated basis*

#### Article 291

(1) Where the parent undertaking of one or more credit institutions is a mixed-activity holding company, this holding company and its subsidiaries shall, on request of the Croatian National Bank, deliver to it all information which would be relevant for the purpose of supervising the credit institution subsidiaries either directly or via the credit institution subsidiaries.

(2) The Croatian National Bank or a person authorised by the Governor of the Croatian National Bank may carry out on-site inspections to verify information received from mixed-activity holding companies and their subsidiaries.

(3) If the mixed-activity holding company or one of its subsidiaries is an insurance undertaking, the procedure prescribed in Article 294 of this Act may be used.

(4) If a mixed-activity holding company or one of its subsidiaries has its head office in a Member State other than that in which the credit institution subsidiary has its head office, on-site inspections to verify information shall be carried out in accordance with the procedures referred to in Article 295 of this Act.

### *Supervision of intra-group transactions*

#### Article 292

(1) Without prejudice to the requirements of Part Four of Regulation (EU) No 575/2013, where the parent undertaking of one or more credit institutions is a mixed-activity holding company, the Croatian National Bank shall, as the competent authority responsible for the supervision of these credit institutions, exercise general supervision over transactions between the credit institution and the mixed-activity holding company and its subsidiaries.

(2) The credit institutions referred to in paragraph (1) of this Article shall:

1) have in place adequate risk management procedures and internal control systems, including sound reporting systems and accounting procedures, in order to identify, measure, monitor and control intra-group transactions with their parent mixed-activity holding company and its subsidiaries appropriately; and

2) notify the Croatian National Bank of any significant intra-group transaction with their parent mixed-activity holding company and its subsidiaries other than those referred to in Article 394 of Regulation (EU) No 575/2013;

(3) The procedures and significant intra-group transactions referred to in paragraph (2) of this Article shall be subject to overview by the Croatian National Bank.

### *Exchange of information for the purposes of supervision on a consolidated basis*

#### Article 293

(1) Where a parent undertaking and any of its subsidiaries that are credit institutions have their head office in different Member States and where any of these undertakings has a head office in the Republic of Croatia, the Croatian National Bank shall exchange all relevant information with the competent authorities of other Member States which may allow or aid the exercise of supervision on a consolidated basis.

(2) Where the Croatian National Bank does not itself exercise supervision on a consolidated basis, it may be invited by the competent authorities of the other Member States responsible for exercising such supervision to ask the parent undertaking for any information which would be relevant for the purposes of supervision on a consolidated basis and to transmit it to the competent authorities of the other Member States.

(3) The Croatian National Bank shall not be the competent authority responsible for the supervision on an individual basis of financial holding companies, mixed financial holding companies, other financial institutions, ancillary services undertakings, mixed-activity holding companies and their subsidiaries other than credit institutions, as well as undertakings not included in supervision on a consolidated basis, in respect of which the information referred to in paragraph (2) of this Article is collected or possessed.

*Cooperation between supervisory authorities where one of the subsidiaries is an insurance undertaking or an undertaking authorised to provide investment services*

Article 294

(1) Where a credit institution, financial holding company, mixed financial holding company or a mixed-activity holding company controls one or more subsidiaries which are insurance undertakings or other undertakings providing investment services which are subject to authorisation, the Croatian National Bank shall cooperate with the supervisory authorities responsible for the supervision of those undertakings.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall exchange with the supervisory authorities any information likely to simplify their tasks and to allow supervision of the activity and overall financial position of the undertakings they supervise.

(3) Information received within the framework of supervision on a consolidated basis, and in particular any exchange of information between supervisory authorities, shall be subject to the duty to protect the confidentiality of information.

*Powers to carry out on-site inspections*

Article 295

(1) The competent authorities of another Member State shall request the Croatian National Bank to have an on-site inspection carried out if they wish in specific cases to carry out an on-site inspection to verify the information concerning the following undertakings with head offices in the Republic of Croatia:

- a credit institution;
- a mixed financial holding company;
- a financial holding company;
- another financial institution;
- an ancillary services undertaking;
- a mixed-activity holding company;
- a subsidiary referred to in Article 294, paragraph (1) of this Act; or
- a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

(2) The Croatian National Bank may, where this is within its competence under this Act, act on the request of the competent authorities of the other Member State in one of the following ways:

- 1) carry out the inspection itself;
- 2) allow authorised persons of the competent authorities of the other Member State to carry out an on-site inspection pursuant to written consent of the Governor of the Croatian National Bank issued in accordance with an agreement; or
- 3) appoint a certified auditor or another professionally qualified person authorised by the Governor of the Croatian National Bank to carry out an on-site inspection.

(3) Where the competent authorities of the other Member State do not carry out the on-site inspection referred to in paragraph (1) of this Article, they may participate in the examination carried out by the Croatian National Bank, a certified auditor or another professionally qualified person authorised by the Governor of the Croatian National Bank.

(4) The Croatian National Bank shall request the competent authorities of the other Member State to have an on-site inspection carried out if it wishes in specific cases to carry out an on-site inspection to verify the information concerning the following undertakings with head offices in the other Member State:

- a credit institution;
- a mixed financial holding company;
- a financial holding company;
- another financial institution;
- an ancillary services undertaking;
- a mixed-activity holding company;
- a subsidiary referred to in Article 294, paragraph (1) of this Act; or
- a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

*Imposition of supervisory measures on financial holding companies, mixed financial holding companies and mixed-activity holding companies*

Article 296

Where financial holding companies, mixed financial holding companies, mixed-activity holding companies or responsible persons of these undertakings violate regulations governing supervision on a consolidated basis, the Croatian National Bank shall impose supervisory measures.

*Application of regulations to mixed financial holding companies*

Article 297

(1) Where the provisions of this Act equivalent to the provisions of the law governing supplementary supervision of financial conglomerates, especially in the part relating to the supervision of operations, apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, after consulting the other authorities competent for the supervision of subsidiary undertakings, adopt a decision that only the relevant provisions of the law governing supplementary supervision of financial conglomerates shall apply to mixed financial holding companies.

(2) Where the provisions of this Act equivalent to the provisions of the law governing insurance, especially in the part relating to the supervision of operations, apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, with the consent of the authority competent for the supervision of insurance undertakings, adopt a decision that only the relevant provisions of the law governing the most important financial sector determined under the law governing supplementary supervision of financial conglomerates shall apply to mixed financial holding companies.

(3) The Croatian National Bank shall notify the European Banking Authority and the European Insurance and Occupational Pensions Authority of the decisions it adopted in accordance with paragraphs (1) and (2) of this Article.

(4) The European Central Bank shall assume the task of coordinator of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a significant supervised entity. The Croatian National Bank shall assume the task of coordinator of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a less significant supervised entity.

*Cooperation with the competent authorities of third countries for the purposes of exercising supervision*

Article 298

(1) The Croatian National Bank may conclude an agreement with one or more competent authorities of third countries for the purposes of exercising supervision on a consolidated basis over the following:

1) credit institutions the parent undertakings of which have their head office in a third country; or

2) credit institutions situated in third countries the parent undertakings of which, whether credit institutions, mixed financial holding companies or financial holding companies, have their head office in the Republic of Croatia.

(2) The agreement referred to in paragraph (1) of this Article shall seek to ensure the basis for the exchange of information which would be relevant for the purposes of consolidated supervision of credit institutions.

(3) The Croatian National Bank may propose to the European Commission the negotiation of agreements with one or more third countries for the purposes of exercising supervision over credit institutions.

*Cooperation arrangements with third countries*

Article 299

(1) Where a credit institution which has its head office in the Republic of Croatia and the parent undertaking of which is a credit institution or a mixed financial holding company or a financial holding company, the head office of which is in a third country, is not subject to supervision on a consolidated basis by the Croatian National Bank or the competent authority of another Member State, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, verify whether the subsidiary credit institution which has its head office in the Republic of Croatia is subject to consolidated supervision by a third-country competent authority which is equivalent to that governed by the principles set out in this Act and the requirements of Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013. The Croatian National Bank shall carry out the verification at the request of the parent undertaking or of any of the regulated entities authorised in a Member State, or on its own initiative, and it shall consult the other competent authorities involved in supervision.

(2) While carrying out the verification referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account general guidance of the European Banking Committee as to whether the consolidated supervision arrangements of competent authorities in the third

countries in which the head office of the parent undertaking is situated comply with the principles set out in this Act and Regulation (EU) No 575/2013. For this purpose, the Croatian National Bank shall consult the European Banking Authority before adopting a decision.

(3) Where it is established that in a third country there are no consolidated supervision arrangements equivalent to the principles set out in this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, apply the provisions of this Act and Regulation (EU) No 575/2013 as appropriate, or other appropriate supervisory procedures which achieve the objectives of supervision on a consolidated basis of credit institutions, to the credit institution subsidiary which has its head office in the Republic of Croatia. Those supervisory procedures shall, after consulting the other competent authorities involved in supervision, be agreed upon by the competent authority which would be responsible for the supervision on a consolidated basis of credit institutions.

(4) The Croatian National Bank may in particular cases require the establishment of a financial holding company or a mixed financial holding company which has its head office in one of the Member States and the carrying out of consolidation in accordance with this Act.

## **XXIII CONSUMER PROTECTION**

### *Consumer*

#### Article 300

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.

### *General service information*

#### Article 301

(1) A credit institution shall for each service offered to consumers make available clear and understandable general service information and make it available in writing, in the Croatian language and in an appropriate place in its business premises where it provides services to consumers. The credit institution may also make general service information available to consumers on another durable medium or electronically.

(2) Where a credit institution offers credit contracts that reference a benchmark as defined in Article 3, paragraph (1), item (3) of Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29. 6. 2016), it shall include in its general service information the name of the benchmark and benchmark administrators and the potential implications for the consumer.

(3) The credit institution shall make general service information available to consumers at least within the scope provided for in the laws governing consumer lending, consumer housing loans or as laid down in other regulations governing particular banking and financial services.

### *Service contracts*

#### Article 302



(1) A credit institution shall conclude a contract with a consumer on the provision of a particular banking service referred to in Article 7 of this Act, in writing and in the Croatian language, and shall deliver at least one copy to the consumer. Where a credit contract is concluded, the credit institution shall, in addition to the consumer, provide a copy of the contract to all other participants in the credit relationship (co-debtors, pledgors and guarantors).

(2) Before concluding a contract on the provision of banking services, the credit institution shall provide the consumer with personalised information needed to compare different offers in order to take a decision on whether to conclude a contract. The information to be provided to the consumer by the credit institution shall include at least the information prescribed by the law governing consumer lending, consumer housing loans and other regulations governing particular banking and financial services.

(3) Before concluding the contract referred to in paragraph (2) of this Article, the credit institution shall present or disclose to the consumer all the relevant terms and conditions of the contract which clearly indicate the rights and obligations of the contracting parties. In relation to concluding a credit contract, the credit institution shall, before concluding the contract, present or disclose to other participants in the credit relationship (co-debtors, pledgors and guarantors) all the relevant information on the terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties and shall warn them of the legal implications of being a co-debtor or guarantor, as well as of the right of the credit institution to undertake collection of its claims from all participants in the credit relationship.

(4) On request of the consumer and free of charge, the credit institution shall provide the consumer with a draft of the contract referred to in paragraph (2) of this Article unless at the time of the submission of the request the credit institution assessed it is unwilling to proceed to the conclusion of the legal arrangement, of which it shall notify the consumer without delay in writing. The credit institution shall also make the draft credit contract available to other participants in the credit relationship at their own request, which shall not be considered as disclosure of banking or any other secret.

(5) In addition to the draft of the contract referred to in paragraph (2) of this Article, the credit institution shall provide the consumer free of charge with a copy or electronic version of the relevant articles from the applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution that may impact the financial position of the consumer and with a short explanation of that impact.

(6) In deposit and lending segment of its consumer operations, as regards services indexed to foreign currency, the credit institution shall apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the euro applicable on the day of the transaction.

### *Disclosure of general operating conditions*

#### Article 303

(1) A credit institution shall disclose to consumers its general operating conditions, including information on the conditions for providing services, in the Croatian language and in an appropriate place in its business premises where it provides services to consumers. The credit institution may also disclose general operating conditions to consumers on another durable medium or in electronic form.

(2) In addition to the mandatory method of providing information to consumers referred to in paragraph (1) of this Article, a credit institution may provide the same information in other appropriate manners.

(3) A credit institution shall disclose amendments to its general operating conditions in the manner referred to in paragraphs (1) and (2) of this Article at least 15 days before their entry into force.

(4) The information referred to in paragraph (1) of this Article related to the granting of credits shall include the data on:

1) interest rate types;

2) methods and frequency of calculating interest;

3) the terms and conditions under which regular and default interest may be changed during the period of credit utilisation, i.e. repayment;

4) the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;

5) fees and commissions (other than the declared nominal interest) charged by the credit institution to borrowers, including the explanation relating to the possible changes to these fees and commissions during the life of the credit contract with the consumer;

6) effective interest rates reflecting the total price of particular types of credit, calculated in accordance with the regulations of the Croatian National Bank;

7) the terms and conditions for making a deposit with the credit institution, if this is a prerequisite for the granting of a credit;

8) the possibilities and terms and conditions for offsetting credits against the deposits referred to in item (7) of this paragraph;

9) collateral instruments and other terms and conditions imposed by the credit institution laying special stress on the consequences of defaulting on contractual commitments, cancellation or termination of the contract and the order in which collateral is activated;

10) the right of the consumer to withdraw from the contract and the connected time limits provided;

11) the possibilities and the terms and conditions for early repayment of the credit; and

12) the types of costs that might be incurred following the cancellation of credit and/or activation of collateral and/or initiation of forced collection proceedings.

(5) The information referred to in paragraph (1) of this Article related to the acceptance of deposits shall include the data on:

1) interest rate types;

2) methods and frequency of calculating interest;

3) the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;

4) the terms and conditions under which interest rates may be changed;

5) the lowest amount accepted in deposit;

- 6) fees for maintaining the accounts and other similar fees and commissions if they are charged by the credit institution to depositors, including the explanation relating to the possible changes to these fees during the life of the deposit contract;
  - 7) effective interest rates reflecting the total return on deposit, calculated in accordance with the regulations of the Croatian National Bank;
  - 8) basic information on deposit insurance;
  - 9) the possibilities as regards the repayment of a time deposit before its maturity date and the consequences thereof;
  - 10) the treatment of deposits after the maturity date of the time deposit; and
  - 11) the conditions for the management of the assets of minors.
- (6) The Croatian National Bank may adopt subordinate legislation to further regulate additional obligations for credit institutions regarding the general operating conditions.

### *Subordinate legislation of the Croatian National Bank regulating consumer protection*

#### Article 304

The Croatian National Bank shall adopt subordinate legislation to further regulate:

- 1) a uniform method of calculating and disclosing credit and deposit prices (effective interest rates referred to in Article 303, paragraph (4), item (6) and paragraph (5), item (7) of this Act);
- 2) the content and form of providing the information referred to in Article 302, paragraph (2) of this Act;
- 3) the conditions for and the manner of exercising supervision and imposing measures.

### *Consumer notification*

#### Article 305

(1) A credit institution shall notify consumers in an agreed upon manner, free of charge, and on an annual basis at a minimum, of the amount of their credits or deposits. In case of credits, such notifications shall include amounts due and payable by the debtor to the credit institution, information as regards the time limit in which the credit institution will send the first and the second collection letter and the warning of a pending cancellation of the credit. Such notifications shall be sent once a year free of charge to the address of the co-debtor and guarantor. The credit institution shall deliver the notification on the amount of credit in the manner referred to in this paragraph up to the moment of the initiation of the judicial debt recovery proceedings.

(2) At the moment of credit cancellation the credit institution shall notify the credit user, co-debtor and guarantor free of charge of:

- the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs; and
- the justification for the items for which collection is sought, specifying the items that can be increased and the interest rate at which they can be increased.

(3) Where the consumer – a debtor under a credit contract and the credit institution fail to agree on the repayment scheme within the maximum of two months following the default on

repayment, the credit institution shall notify the co-debtor, pledgor and guarantor on the debt balance outstanding and provide them with a period of 15 days of the date of the notification sent via registered mail to settle the obligation in cash. This provision shall not preclude the credit institution from initiating forced collection proceedings at the moment of recording due but unpaid receivables.

(4) Where variable interest rates have been contracted, a credit institution shall notify consumers of interest rate changes in an agreed upon manner at least 15 days before their application, and in case of credit contracts, the credit institution shall also provide the consumer with the amended loan amortisation schedule. Where interest rates have changed, the credit institution shall in the same notification present and explain to the consumer the changes of parameters that caused the change in interest rates.

(5) Where the interest rate in a credit contract changes upwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(6) Where the interest rate in a deposit contract changes downwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(7) Where the consumer – a credit user, upon receipt of the notification on the increase in interest rates does not agree with the change, he/she has the right within three months of the receipt of the notification to early repayment of the credit without paying any charges or fees to the credit institution, including the charge or fee for early credit repayment. In such a case the credit institution has no right to damages due to early repayment.

(8) A credit institution shall make available to the consumer, at the consumer's request, free of charge and at any moment over the duration of the credit contract, a report in the form of the loan amortisation schedule, information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes.

(9) A credit institution shall at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, notify the consumer of the loan repayment in full and inform the consumer of the manner in which to obtain the statement of release and in the case of the rights of third persons who have repaid the loan in part or in full, inform the consumer of the rights of such persons and further conditions to obtain the statement of release, as well as inform the consumer on the manner in which to retrieve all other instruments of collateral of the repaid loan. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who repaid the loan in part or in full.

### *Variable interest rate*

#### Article 306

(1) The provisions of the law governing consumer credit that govern variable interest rate shall apply to credit contracts, except for agreements on consumer housing loans governed by the law governing consumer housing loans, regardless of the total amount and the type of credit granted by a credit institution to a consumer.

(2) The national reference rate of the average cost of financing the Croatian banking sector (hereinafter referred to as 'NRR') shall be calculated by the Croatian National Bank and published on its website.

(3) The Croatian National Bank shall calculate the NRR based on data available to the Croatian National Bank, collected for regulatory purposes in accordance with Article 162 of this Act.

(4) The Croatian National Bank shall publicly disclose the methodology for the calculation of the NRR and the NRR release calendar on its website.

### *Contracting interest rates*

#### Article 307

(1) Where a credit institution offers to contract a variable interest rate, it shall warn the consumer of all risks associated with the variability of the interest rate and contract the parameters affecting the change in the contracted interest rate in the credit and/or deposit contract in a clear and unambiguous manner.

(2) Short-term deposits and short-term credits shall not be contracted with a variable interest rate. For the purposes of this Act, short-term services shall be those contracted for a period of up to 12 months.

(3) Promotional interest rates may be contracted only for short-term services. Promotional interest rates are those offered upon the moment of sale for a specified time period upon the expiry of which the interest rate is adjusted to the market (currently applicable) interest rate level.

### *Charges and fees*

#### Article 308

(1) For the duration of the contract, a credit institution shall not charge the consumer any charges or fees that were not specified in the Tariff of service fees and charges at the time when the contract was concluded.

(2) The Croatian National Bank may adopt subordinate legislation to further regulate a list of activities to be carried out by credit institutions as part of deposit and lending segment of their consumer operations free of charge.

### *Consumer complaints*

#### Article 309

(1) The Croatian National Bank shall, within its competence for credit institutions, monitor whether credit institutions comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, the provisions of regulations adopted under this Act and the provisions of the other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(2) The Croatian National Bank shall be competent to monitor whether:

– credit institutions of other Member States, providing services through branches or directly providing mutually recognised services within the territory of the Republic of Croatia, and

– third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institutions

comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, the provisions of regulations adopted under this Act and the provisions of the other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(3) The Croatian National Bank may require from credit institutions to submit within the time limit set by the Croatian National Bank additional data, reports and other bylaws it deems necessary for the purpose of consumer protection.

(4) Where a consumer deems that a credit institution has not complied with the terms and conditions of a contract on the provision of banking or financial services, disclosed internal bylaws governing the business relationship between credit institutions and clients, the provisions of this Act relating to consumer protection, the provisions of regulations adopted under this Act and the provisions of other laws governing consumer protection he/she may file a complaint against the credit institution to the credit institution.

(5) A credit institution shall entrust at least one of its employees with the task of addressing consumer complaints. A credit institution which has its head office outside the Republic of Croatia and provides services within the territory of the Republic of Croatia through a branch shall entrust at least one employee of its branch in the Republic of Croatia with the task of addressing complaints from consumers in the Republic of Croatia. The credit institution shall appoint a person responsible for monitoring the process of consumer complaint management.

(6) Where a consumer is dissatisfied with the response or decision of a credit institution as regards his/her filed complaint, he/she may notify the Croatian National Bank thereof.

(7) The Croatian National Bank shall not address individual consumer complaints, i.e. complaints from a credit institution's clients.

(8) The Croatian National Bank shall periodically monitor the developments in the number of consumer complaints per individual credit institution. Credit institutions shall deliver to the Croatian National Bank data on consumer complaints in the manner and within the time limits laid down by it.

### *Alternative dispute resolution for consumer disputes*

#### Article 310

(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 in accordance with the law governing conciliation, i.e. alternative dispute resolution of domestic and cross-border disputes may be initiated in accordance with a special regulation governing alternative dispute resolution of consumer disputes.

(2) Conciliation or alternative dispute resolution shall be handled before conciliation centres or centres for alternative dispute resolution, in accordance with the provisions of regulations governing conciliation or alternative dispute resolution of consumer disputes.

### *Consumer protection measures*



## Article 311

For the purpose of ensuring consumer protection in accordance with the provisions of this Act, the provisions of other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws, the Croatian National Bank may issue a decision to impose measures on entities referred to in Article 309, paragraphs (1) and (2) of this Act and provide time limits to meet them, in particular:

- 1) order to stop illegal practices;
- 2) order to eliminate illegalities and/or irregularities and determine the time limit for doing so;  
or
- 3) order to create, supplement and/or amend procedures, business policies and other bylaws of the credit institution relating to operations with consumers.

### *Financing of financial literacy*

#### Article 311a

- (1) Each year, credit institutions are required to allocate a portion of their income to finance activities aimed at strengthening the financial literacy of the citizens of the Republic of Croatia.
- (2) The Minister of Finance shall adopt a guideline on the fulfilment of the credit institution's obligation referred to in paragraph (1) of this Article by a decision.

### *Application of a special law*

#### Article 312

In addition to the provisions of Articles 300 to 311 of this Act, the rights of credit institutions' clients shall be protected by special laws governing consumer protection, while observing the provisions of this Act relating to the obligation of banking secrecy.

## **XXIII.a PROTECTION OF DEPOSITORS**

### *Deposit payout*

#### Article 312a

(1) A credit institution adopting a decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 shall without delay announce the notification thereof on its website and publish it in at least two daily newspapers published in the Republic of Croatia, and the notification shall contain at least the following:

- 1) the decision to reduce common equity tier 1 capital items;
- 2) the amount of common equity tier 1 capital of the credit institution prior to the decision on the reduction;
- 3) the amount by which the credit institution's common equity tier 1 capital is reduced;
- 4) the amount of common equity tier 1 capital of the credit institution after the decision on the reduction;
- 5) the percentage by which the credit institution's common equity tier 1 capital is reduced;

6) a statement by the credit institution's management board that after the reduction of common equity tier 1 capital the credit institution will meet all its liabilities towards depositors and all requirements arising from regulations governing the operation of credit institutions; and

7) instructions to depositors concerning the way in which they can exercise their rights referred to in paragraph (2) of this Article.

(2) The credit institution shall, at the request of the depositor, pay out the deposit and interest accrued up to the date of the payment, without fees or charges, within 30 days after submission of the depositor's request, provided that the request was submitted within six months after the latest notification of the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and that the deposit meets the following criteria:

1) the deposit contract was concluded prior to the notification referred to in paragraph (1) of this Article;

2) the deposit is not due at the time the request is submitted; and

3) the deposit is not fully covered by deposit insurance.

(3) The credit institution may carry out the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and pay out the proposed amount to the shareholders if the following conditions are met:

1) six months have elapsed since the last announcement of a decision to reduce common equity tier 1 capital items within the meaning of paragraph (1) of this Article; and

2) the requests of all depositors referred to in paragraph (2) of this Article have been met in the manner and within the time limits referred to in this Article.

(4) For the purposes of this Title, 'depositor' means a holder or, in the case of a joint account, each of the holders of a deposit, and 'deposit' means a deposit as defined in the law governing deposit insurance.

### *Payout delay*

#### Article 312b

(1) A credit institution shall not be required to meet the requirements referred to in Article 312a of this Act if it decides to carry out the payout based on the reduction of common equity tier 1 capital items following the expiry of a period of two years of the adoption of the decision to reduce common equity tier 1 capital items.

(2) In the case referred to in paragraph (1) of this Article, the credit institution shall without delay publish the decision to reduce common equity tier 1 capital items and the decision on the time limit for payment on its website.

### *Treatment of the reduction of common equity tier 1 capital items*

#### Article 312c

The credit institution shall treat the amount by which it decided to reduce its common equity tier 1 capital items referred to in Article 312a, paragraph (1) of this Act as items that are not available to the credit institution for unrestricted and immediate use to cover risks or losses and the amount shall not be reported as part of common equity tier 1 capital of the credit institution.



## XXIV SAVINGS BANKS

### *Savings bank*

#### Article 313

- (1) A savings bank shall be a credit institution authorised in accordance with this Act as a savings bank and established as a joint stock company which has its head office in the Republic of Croatia.
- (2) The firm name of a savings bank must contain the words 'savings bank'.
- (3) The words 'savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies and used in legal transactions only by a legal person authorised by the Croatian National Bank as a savings bank.
- (4) By way of derogation from paragraph (3) of this Article, the words 'savings bank' in the firm name may be used in legal transactions by a savings bank that has been authorised as a bank in accordance with Article 317 of this Act.

### *Application of other regulations*

#### Article 314

With the exception of the provisions of Article 22 and Articles 74 to 82 of this Act, the provisions of this Act, regulations adopted under this Act, and of other regulations governing the operation of credit institutions shall apply *mutatis mutandis* to savings banks.

### *Savings bank activities*

#### Article 315

- (1) Savings banks may provide the banking services referred to in Article 7 of this Act.
- (2) In addition to the banking services referred to in paragraph (1) of this Article, savings banks may provide financial services for which they have been authorised:
  - 1) issuance of guarantees or other commitments;
  - 2) lending, including consumer and mortgage credits, where permitted by a special law;
  - 3) trading for own account in:
    - money market instruments;
    - transferable securities;
    - foreign exchange, including currency exchange transactions;
  - 4) money transmission services in the country in accordance with special laws;
  - 5) credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;
  - 6) activities related to the sale of insurance policies in accordance with the law governing insurance;

7) issuing and administering other means of payment, if the provision of such services is not considered the provision of services within the meaning of item (4) of this paragraph and pursuant to a special law;

8) safe custody services;

9) money broking; and

10) other services similar to the services referred to in items (1) to (9) of this paragraph and listed in the savings bank's authorisation.

(3) Savings banks may neither operate nor establish branches and representative offices outside the Republic of Croatia.

### *Preferential shares of savings banks*

#### Article 316

Savings banks may not issue preferential shares.

### *Authorisations to savings banks intending to operate as banks*

#### Article 317

(1) A savings bank intending to operate as a bank shall obtain authorisation in accordance with this Act to operate as a bank.

(2) The provisions of this Act governing the authorisation procedure shall apply *mutatis mutandis* to the authorisation procedure regarding a savings bank intending to operate as a bank.

(3) When deciding whether to grant the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank may require the chairperson and members of the management board to make a presentation detailing how they propose to direct the business of the bank.

(4) The decision on the authorisation referred to in paragraph (1) of this Article shall be based on:

1) documents delivered together with the application for authorisation;

2) the presentation referred to in paragraph (3) of this Article; and

3) other data and information available to it.

(5) The authorisation to operate as a savings bank shall lapse on the date of issue of the authorisation referred to in paragraph (1) of this Article.

## **XXV HOUSING SAVINGS BANKS**

### *Housing savings banks*

#### Article 318

The provisions of this Act shall apply to housing savings banks established under the provisions of the Act on Housing Savings and State Incentive to Housing Savings, unless otherwise prescribed in other laws.

### *Protection of the name*

## Article 319

The words 'housing savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies or used in legal transactions only by the housing savings banks referred to in Article 318 of this Act, unless otherwise provided for in another law.

## XXVI ASSOCIATION OF CREDIT INSTITUTIONS

### *Association of credit institutions*

## Article 320

(1) Credit institutions may join an association of credit institutions established as an economic interest group or other form of association of economic entities in accordance with a special law.

(2) In addition to the tasks laid down in its Articles of Association, an association of credit institutions may:

1) organise the processing and exchange of information on creditworthiness, including personal data, directly or through a separate legal entity, for the purpose of assessing creditworthiness or managing credit risk; and

2) provide professional training for employees of credit institutions and issue certificates of completion of the professional training.

(3) At the request of the Croatian National Bank, an association of credit institutions shall deliver to the Croatian National Bank its Articles of Association as well as all agreements, contracts and other general bylaws.

## XXVI.a EXCHANGE OF INFORMATION

### *Exchange of information for the purpose of assessing creditworthiness or managing credit risk*

## Article 321

(1) The Croatian National Bank may collect information, including personal data, from persons who are authorised under this Act to provide banking services within the territory of the Republic of Croatia and organise the exchange of information for the purpose of protection against and managing credit risk.

(2) A credit institution with a head office in the Republic of Croatia authorised by the Croatian National Bank and a credit institution, which is authorised under this Act to provide mutually recognised services within the territory of the Republic of Croatia, shall upon request exchange information, including personal data with regard to or in connection with its clients, for the purpose of assessing creditworthiness or managing credit risk with other credit institutions with a head office in the Republic of Croatia authorised by the Croatian National Bank and credit institutions authorised under this Act to provide mutually recognised services within the territory of the Republic of Croatia.

(3) The scope of information and personal data on clients exchanged in accordance with paragraph (2) of this Article shall be limited to the data that are necessary for assessing creditworthiness or managing credit risk and shall contain the following information and data: data required for client's identification (legal personality of the person, name and

surname/name, personal identification number (OIB) or, if personal identification number is not available, another identification number, business entity registration number), information on existing and settled or otherwise closed client's obligations (obligation type, total amount of obligation, amount and periodicity of the annuity/instalment, timeliness in meeting obligations, number of past due obligations, their amount and number of days in default). The data and information referred to in this paragraph can be exchanged for the period no longer than four years after the obligation was fully settled or otherwise closed.

(4) The exchange of information and personal data referred to in paragraph (2) of this Article can also be carried out through a legal person that collects and exchanges data between credit and/or financial institutions.

(5) A credit institution cannot refuse to exchange information and personal data referred to in paragraph (3) of this Article due to the different ways of data exchange used by the other credit institution.

(6) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall adopt subordinate legislation to further regulate the methods of and the conditions for collecting information for the purpose of protection against and managing credit risk.

## **XXVII DECISION-MAKING METHODS AND PROCEDURES OF THE CROATIAN NATIONAL BANK**

### **XXVII.1 GENERAL PROVISIONS**

#### *Restitution*

##### Article 322

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

#### *Application of the provisions of the act governing the general administrative procedure*

##### Article 322a

Unless otherwise provided for in this Act, the provisions of the act governing the general administrative procedure shall apply to an administrative procedure carried out by the Croatian National Bank.

#### *Decision*

##### Article 323

(1) Decisions issued by the Croatian National Bank in an administrative procedure must be written and fully reasoned. No complaint against such decisions shall be allowed, but administrative dispute may be initiated against them.

(2) In the appeal proceedings against the decision to appoint a special administration, withdraw authorisation and/or a impose measures in the early intervention phase, the competent administrative court may not decide that the appeal has the effect of staying the execution or issue a temporary measure.

(3) A decision issued by the Croatian National Bank in an administrative procedure may contain a time limit, a condition, a charge, a reservation of the right to appeal, a recommendation or an obligation to conclude an administrative contract.

(4) When pursuant to this Act the consequences of the lapsing of authorisations or approvals issued by the Croatian National Bank in accordance with this Act arise, the Croatian National Bank shall adopt a declaratory decision on the lapsing of authorisations or approvals.

(5) The Administrative Court in Zagreb shall have exclusive territorial jurisdiction over the proceedings initiated:

- 1) against individual decisions adopted by the Croatian National Bank pursuant to this Act;
- 2) against acts of the Croatian National Bank and its omissions to act in the supervision of the implementation of this Act;
- 3) due to the omission of the Croatian National Bank to adopt individual decisions in accordance with this Act.

### *Right to be heard*

#### Article 323a

(1) Before adopting a decision in accordance with this Act or Regulation (EU) No 575/2013 that could adversely affect the legal rights of a party, the Croatian National Bank shall, except in cases referred to in Article 179 or Articles 184 to 188 and Title XXIX.a of this Act, notify the party of all facts, circumstances and legal issues relevant to the adoption of the decision and invite the party to provide its comments in writing.

(2) The Croatian National Bank shall enclose the draft decision listing the relevant facts, circumstances and legal issues on which the Croatian National Bank intends to base its decision to the notification sent to the party in accordance with paragraph (1) of this Article.

(3) Where the Croatian National Bank deems it appropriate, it may provide the party with the opportunity of commenting on the facts, circumstances and legal issues relevant to the adoption of the decision in an oral hearing.

(4) Where the Croatian National Bank schedules the oral hearing in accordance with paragraph (3) of this Article and the party duly summoned fails to attend the oral hearing without having duly excused itself, the oral hearing may be held without the presence of the summoned party. Where the absence of the party is duly excused, the Croatian National Bank may postpone the oral hearing and schedule a new oral hearing or invite the party to comment on the facts, circumstances and legal issues material to the adoption of the decision in writing.

(5) The Croatian National Bank shall provide the party with a time limit to comment on the notification referred to in paragraph (1) of this Article which may not exceed 14 days following the receipt of the notification. At the request of the party, the Croatian National Bank may extend the time limit for comments. In exceptional circumstances, the Croatian National Bank may shorten the time limit for comments to three working days.

(6) By way of derogation from paragraphs (4) and (5) of this Article, the Croatian National Bank may, in urgent situations, in order to prevent significant damage to the financial system as a whole, adopt a temporary decision without providing the party with the opportunity to comment on the facts, circumstances and legal issues material to the adoption of the decision.

(7) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall make it possible to the party to comment in writing on the facts, circumstances and legal issues material to the adoption of the decision without delay. The time limit for submitting the comments shall be 10 days following the receipt of the decision referred to in paragraph (6) of

this Article. Upon party's request, the Croatian National Bank may extend the time limit for comments by maximum six months.

(8) In the case referred to in paragraph (7) of this Article, the Croatian National Bank shall, after expiry of the time limit for party's comments, adopt a decision resolving the administrative matter, taking into account the party's comment on the facts, circumstances and legal issues material to the adoption of the decision. With this decision, the Croatian National Bank shall withdraw the temporary decision referred to in paragraph (6) of this

### *Access to files*

#### Article 323b

(1) In the course of the supervisory procedure of the Croatian National Bank as well as in the course of the administrative sanctions procedure, the party in the procedure or the party against whom the procedure has been initiated shall be entitled to have access to the file.

(2) The file referred to in paragraph (1) of this Article shall consist of all documents obtained, produced or assembled by the Croatian National Bank during the supervisory procedure irrespective of the storage medium.

(3) Access to the file shall be granted to the party by means of an electronic data storage device including any that may become available in the future or through copies of the accessible files in paper form sent to the party by mail or by inviting the party to examine accessible files in the offices of the Croatian National Bank.

(4) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to confidential information of which the Croatian National Bank becomes aware in the course of supervision or other activities within its competence or of which the Croatian National Bank becomes aware in the course of exchange of information with other supervisory authorities in the Republic of Croatia or abroad or to the working documents produced by the Croatian National Bank during the supervisory procedure or the administrative sanctions procedure.

(5) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to information that constitute business or professional secrets of legal or natural persons that are not parties to the procedure.

(6) Enabling access to the file to a party in the procedure shall not affect the right of the Croatian National Bank to disclose or use information necessary to prove a breach.

### *Amendments to decisions*

#### Article 324

(1) In the course of supervision of a credit institution, the Croatian National Bank may amend its decision at the request of the party concerned or *ex officio*.

(2) The Croatian National Bank may amend its decision in cases where, after the issue of the authorisation, new circumstances have arisen which would or could influence the operation of the credit institution in question.

(3) In the cases referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall also take into account all facts and circumstances arising after the adoption of the decision referred to in paragraph (1) of this Article or after the issue of the authorisation.

## *Liability for damage*

### Article 325

The Croatian National Bank, employees of the Croatian National Bank and persons authorised by the Croatian National Bank shall not be liable for damage that may arise in the course of the performance of their duties under this Act, the Act on the Croatian National Bank, Regulation (EU) No 575/2013 or regulations adopted under these acts and the Regulation, unless it is proven that they acted or failed to act intentionally or as a result of gross negligence.

## XXVII.2 AUTHORISATION PROCEDURE

### *Initiation of authorisation procedures*

#### Article 326

The Croatian National Bank may initiate an authorisation procedure at the request of the party concerned, *ex officio* or at the request of another competent authority where so provided for in this Act or Regulation (EU) No 575/2013.

### *Time limits*

#### Article 327

(1) The Croatian National Bank must decide on:

- 1) an application for authorisation and all other applications referred to in Articles 60, 62, 66 and 73a of this Act within six months of receipt of a valid application;
- 2) an application for prior approval referred to in Articles 39, 40 and 46 and of this Act within three months of receipt of a valid application; and
- 3) an application for authorisation referred to in Articles 63 and 149 of this Act within six months of receipt of a valid application.

(2) The time limit for adopting a decision and for the notification on the decision referred to in paragraph (1), items (1) and (3) of this Article shall not exceed 12 months of the day of receipt of the application.

(3) The renewed procedure referred to in Article 44, paragraph (1), item (7) and Article 47, paragraph (1), item (5) of this Act may be initiated at the request of the party or *ex officio* within six years of the delivery date of the decision to the party.

(4) The time limit referred to in paragraph (1), item (2) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure pursuant to Article 323a of this Act.

### *Enforcement of decisions*

#### Article 328

Decisions of the Croatian National Bank shall be enforceable at the moment of their delivery to the parties to the proceedings, unless otherwise prescribed in this Act.

Article 329

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Article 331

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Article 332

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Article 332a

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Article 332b

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Article 332c

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## XXVIII.a CONVERSION OF LOANS DENOMINATED IN CHF AND DENOMINATED IN KUNA WITH A CURRENCY CLAUSE IN CHF

### *Subject of conversion*

#### Article 357a

(1) This Title governs the obligations of credit institutions and credit users:

- in the procedure of conversion of loans denominated in CHF into loans denominated in EUR;
- in the procedure of conversion of loans denominated in kuna with a currency clause in CHF into loans denominated in kuna with a currency clause in EUR;

– in the procedure of conversion of a claim arising from a termination of a credit contract referred to in the first and the second indent of this paragraph from a claim denominated in CHF into a claim denominated in EUR or a claim denominated in kuna with a currency clause in CHF into a claim denominated in kuna with a currency clause in EUR.

(2) For the purpose of this Title XXVIII.a, a credit user is a natural person who performs the activity of a freelancer, craftsman, sole trader and family farm holder.

(3) The provisions of this Title shall apply to loans denominated in CHF and loans denominated in kuna with a currency clause in CHF, regardless of their type and purpose, in which the obligation of a borrower under a loan or an obligation of repayment of the received arising from the termination of a credit contract has not been fulfilled or enforced.

(4) The provisions of this title shall not apply to loans referred to in paragraph (3) of this Article which have, by the date of the entry into force of this Act, been converted from CHF into another currency or kuna or whose currency clause has been converted from a currency clause in CHF into another currency clause or kuna and to loans denominated in CHF and denominated in kuna with a currency clause in CHF, the obligation of the borrower of which has been fulfilled or enforced.

(5) The provisions of this Title shall also apply to the legal person to whom a claim arising from obligatory relations referred to in paragraph (1) of this Article has been transferred.

### *Principle of loan conversion*

#### Article 357b

The conversion of a loan denominated in CHF into a loan denominated in EUR and of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR shall imply loan conversion for the purpose of currency change or a change in the currency of the currency clause in which a loan is denominated and shall be carried out in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR and that the position of a credit user with a loan denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR.

### *Manner of calculation of loan conversion*

#### Article 357c

(1) Loan conversion shall imply conversion for the purpose of currency change or a change in the currency of the currency clause in which a loan is denominated and shall be calculated in such a way that:

1. the amount of the initially granted principal of a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF is recalculated to the amount of the principal of a loan denominated in EUR and denominated in kuna with a currency clause in EUR, using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the type the credit institution used on that date for loans of the same type and duration, denominated in EUR and denominated in kuna with a currency clause in EUR, with the amount of the initially granted principal being the amount entered in the business books of the credit institution where this amount may be greater than

the amount disbursed as a result of exchange rate differences arising from the foreign exchange purchase/sale taking place at the time of loan disbursement;

2. instead of the initially agreed interest rate on a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF, the interest rate is applied which is equal to the interest rate (in terms of amount, type and period of change) which the credit institution applied to loans of the same type and duration denominated in EUR and denominated in kuna with a currency clause in EUR on the date of entering into a credit contract, respecting reductions in interest rates, the exchange rate or terms granted to specific similar groups of credit users based on age, purpose of credit, of the same type and duration denominated in EUR and credits denominated in kuna with a currency clause in EUR on the date of entering into a credit contract denominated in CHF and a credit contract denominated in kuna with a currency clause in CHF;

3. if it fails to replace the initially determined loan amortisation schedule for a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments or annuities in CHF or in kuna with a currency clause in CHF have been calculated, with the new loan amortisation schedule calculated in accordance with items (1) and (2) of this paragraph and on the basis of which new instalments or annuities are calculated in EUR or in kuna with a currency clause in EUR, taking into account all changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount, type and period of change in interest rates and other changes which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities;

4. the amounts paid for the settlement of the initially determined instalments or annuities in CHF and in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purpose of conversion) are converted into EUR and with a currency clause in EUR, using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the credit institution used on that date for loans of the same type and duration, denominated in EUR and denominated in kuna with a currency clause in EUR. Such amounts converted into EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined on the basis of a new loan amortisation schedule in EUR and with a currency clause in EUR referred to in item (3) of this paragraph, respecting the order of settlement of due obligations in accordance with the general conditions of the credit institution and not charging default interest;

5. the total amount paid determined in EUR and with a currency clause in EUR in the manner referred to in item (4) of this paragraph that is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in item (3) of this paragraph shall be considered overpayment which shall:

– if the amount of overpayment does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015, in accordance with a loan amortisation schedule referred to in item (3) of this paragraph, be used for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR or with a currency clause in EUR may be closed out by overpayment, until the overpayment is used in full, with the credit institution and the credit user, if the amount of overpayment exceeds 50% of the sum total of instalments or annuities in EUR and with a currency clause in EUR, outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in item (3) of

this paragraph, defining in an agreement the manner of utilisation of the amount of overpayment in excess of 50% of the sum total of instalments or annuities in EUR and with a currency clause in EUR;

– if the amount of overpayment exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in item (3) of this paragraph, be reimbursed to the credit user by the credit institution within 60 days of the date of acceptance of the conversion by the credit user.

The amount of overpayment referred to in this item shall be calculated in kuna using the exchange rate applicable on 30 September 2015 and the calculation of the payment of interest on this amount and exchange rate differences arising from this amount shall not be the obligation of the credit institution but shall be borne by the credit user;

6. the total amount paid determined in EUR and with a currency clause in EUR in the manner referred to in item (4) of this paragraph which is smaller than the sum total of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in item (3) of this paragraph is paid by the credit user to the credit institution in accordance with an agreement between the credit institution and the credit user, and the obligations under the new loan amortisation schedule in EUR and with a currency clause in EUR continue to be fulfilled by the credit user;

7. the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR is determined as at 30 September 2015, as the difference between the new loan amortisation schedule determined in accordance with item (3) of this paragraph and the amounts paid determined in accordance with item (4) of this paragraph, with the amount of overpayment determined in item (5) of this paragraph not reducing the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR and any shortage in the amount paid determined in item (6) of this paragraph being settled in accordance with an agreement between the credit institution and the credit user;

8. the effect of conversion is determined as the difference:

– between the balance of the principal outstanding in CHF and with a currency clause in CHF entered in the business books of the credit institution as at 30 September 2015 calculated in EUR and in kuna with a currency clause in EUR at the exchange rate applicable on 30 September 2015 which is equal to the exchange rate of the type that the credit institution used on that date for loans of the same type and duration in EUR and in kuna with a currency clause in EUR, with the restriction on the exchange rate referred to in Article 157 of the Act on Amendments to the Credit Institutions Act, Official Gazette 19/2015, relating to instalments or annuities in CHF and with a currency clause in CHF which fall due until the expiry of the duration of the restriction referred to in Article 157 of the Act on Amendments to the Credit Institutions Act, Official Gazette 19/2015; and

– the amount of principal outstanding referred to in item (7) of this paragraph.

(2) Paragraph (1) of this Article shall apply *mutatis mutandis* to the calculation of the obligation of repayment of the received arising from the termination of a credit contract, whereby the conversion shall be carried out as at 30 September 2015, i.e. as at the day of the termination of a credit contract.

### *Provision of information*

#### Article 357d

(1) For the purposes of verifying the conversion calculation, the credit institution shall draw up a calculator based on which the conversion has been calculated which shall include a detailed overview of the calculation of all the elements of the conversion calculation determined in Article 357c of this Act and shall make it available to each individual credit user on its website which shall be accessible to credit users via their personal identification numbers.

(2) For the purposes of verifying the conversion calculation, the credit institution shall provide the credit user with access to a historical overview of general lending conditions, decisions on interest rates, daily exchange rates applicable on loans denominated in CHF and denominated in kuna with a currency clause in CHF and on loans denominated in EUR and denominated in kuna with a currency clause in EUR which the credit institution has used for loans of the same type and duration denominated in CHF and denominated in kuna with a currency clause in CHF and for loans denominated in EUR and denominated in kuna with a currency clause in EUR.

(3) Prior to the posting of the calculator referred to in paragraph (1) of this Article on the website, the credit institution shall obtain an opinion from a certified auditor or a judicial expert that the calculator has been drawn up in accordance with the manner of calculation provided for in Article 357c of this Act and shall post such opinion on its website within 45 days of the day of the entry into force of this Act.

#### *Loan conversion*

#### Article 357e

(1) A credit institution shall, within 45 days of the entry into force of this Act, deliver to the credit user, by means of registered mail with return receipt, the calculation of the loan conversion, showing the balance as at 30 September 2015, calculated in accordance with Article 357c of this Act, together with the proposal of a new or amended credit contract.

(2) Together with the calculation of conversion, the credit institution shall also deliver an overview of the balance of all individual types of claims on the credit user, i.e. an extract of the open items of the credit user based on the credit contract on a loan denominated in CHF and the credit contract on a loan denominated in kuna with a currency clause in CHF which is the subject of conversion as at 30 September 2015, calculated in kuna at the exchange rate of the type the credit institution used for the calculation of conversion.

(3) The credit institution shall deliver the calculation of conversion referred to in paragraph (1) of this Article together with an overview of the balance of all individual claims on the credit user, i.e. an extract of open items in accordance with paragraph (2) of this Article by means of registered mail with return receipt also to the persons from whom the credit institution demanded fulfilment of an obligation under a loan in CHF and in kuna with a currency clause in CHF.

(4) The calculation of conversion referred to in paragraph (1) of this Article shall contain a clear overview of all changes and shall show clearly the manner in which the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR referred to in Article 357c, paragraph (1), item (7) of this Act has been calculated, the amount of overpayment referred to in Article 357c, paragraph (1), item (5) of this Act, if any has been determined, or any shortage in the amount paid referred to in Article 357c, paragraph (1), item (6) of this Act, if any has been determined.

(5) In the case of acceptance of the loan conversion, the credit user shall be obligated to inform the credit institution about the acceptance of the calculation of conversion by means of registered mail with return receipt or personally, within 30 days of the day of receipt of the calculation of conversion referred to in paragraph (1) of this Article, and of the overview of the balance of all claims of the credit institution, i.e. of the extract of open items referred to in paragraph (2) of this Article.

(6) If the credit user does not accept the calculation of the loan conversion or does not enter with the credit institution into the agreement referred to in Article 357c, paragraph (1), item (6) of this Act, the loan repayment shall continue in accordance with the applicable contractual terms.

(7) If the credit user accepts the calculation of the loan conversion:

– the effect of the conversion referred to in Article 357c, paragraph (1), item (8) of this Act shall be borne by the credit institution and it shall be shown in the business books of the credit institution as a claim adjustment due to exchange rate differences, i.e. as an expense based on disbursement for the overpayment referred to in Article 357c, paragraph (1), item (5), the first and the second indent of this Act;

– the difference in the initial principal arising from foreign exchange purchase/sale referred to in Article 357c, paragraph (1), item (1) of this Act, the amount of default interest, fees and costs charged referred to in Article 357c, paragraph (1), item (4)

of this Act, the amount of interest and exchange rate differences based on overpayment referred to in Article 357c, paragraph (1), item (5) of this Act shall be borne by the credit user.

(8) If under a credit contract on a loan denominated in CHF and denominated in kuna with a currency clause in CHF, a credit user has been offered certain benefits in the form of a decreased interest rate, special exchange rate or other specific benefits in accordance with a decision of the credit institution, the credit institution shall not be obligated to apply them to the calculation of conversion referred to in Article 357c of this Act and they shall be borne by the credit user. A special reduction in interest rates, a special exchange rate or more favourable terms granted to specific similar groups of credit users based on age, purpose of credit, the same type and duration in EUR and in kuna with a currency clause in EUR on the date of entering into a credit contract denominated in CHF and denominated in kuna with a currency clause in CHF shall not be considered benefits.

(9) If the credit user accepts the calculation of loan conversion, the credit institution shall not seek additional instruments of collateral other than those agreed nor set additional conditions to the credit user, derogating other rights of the credit user.

(10) The credit user shall not be charged any related loan conversion costs.

### *Transitional period*

#### Article 357f

(1) The credit user shall continue to pay instalments or annuities determined under a loan amortisation schedule applicable before the conversion of a loan denominated in CHF and denominated in kuna with a currency clause in CHF until the day of entering into a new or amended credit contract.

(2) The difference between the amount paid during the transitional period and the amount to be paid under the instalment or annuity in EUR and in kuna with a currency clause in EUR determined under the new loan amortisation schedule referred to in Article 357c, paragraph (1),

item (3) of this Act, shall be determined at maturity of the first subsequent instalment or annuity in EUR and in kuna with a currency clause in EUR under the new loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act and thus determined difference shall be considered the overpayment referred to in Article 357c, paragraph (1), item (5) of this Act or a shortage in the amount paid referred to in Article 357c, paragraph (1), item (6) of this Act.

### *Rights of a person fulfilling a loan obligation*

#### Article 357g

- (1) A guarantor or another person referred to in Article 357e, paragraph (3) of this Act from whom the credit institution demanded or has the right to demand fulfilment of an obligation under a loan in CHF and in kuna with a currency clause in CHF may negotiate a claim with the credit institution in his/her name and on behalf of the credit user if an overpayment referred to in Article 357c, paragraph (1), item (5) of this Act has been determined and if the credit user does not accept the calculation of the loan conversion.
- (2) Under the agreement referred to in paragraph (1) of this Article, the credit user shall acquire own and direct right in relation to the credit institution as if he/she has accepted the calculation of conversion and the contracting party shall have the right to demand that the credit institution delivers to the credit user what has been agreed on behalf of that credit user.
- (3) If the credit user declares that he/she does not accept or refuses the benefit agreed on his behalf, the benefit shall belong to the contracting party.
- (4) The credit institution may bring to the attention of the credit user all complaints against the contracting party under an agreement negotiating benefits for the credit user.
- (5) Under the agreement referred to in paragraph (1) of this Article, the credit institution shall agree to reduce the claim on the credit user by appropriate application of the principles and rules referred to in Articles 357b to 357f of this Act.

### *Tax treatment of the conversion*

#### Article 357h

- (1) The effect of conversion referred to in Article 357e, paragraph (7) of this Act which results in an expense in the business books of the credit institution, shall be recognised as the expense of the credit institution for tax purposes within the meaning of the special regulation on corporate income tax (profit tax), in accordance with the principle of avoidance of double taxation and the principle of avoidance of double reduction in the tax base.
- (2) The credit institution shall be obligated to deliver, together with corporate income tax (profit tax) return for the period in which an expense referred to in paragraph (1) of this Article is entered in the business books, a cumulative summary of the calculations of conversions referred to in Article 357e of this Act, on the basis of which the credit institution entered an expense in the business books, as well as evidence clearly showing that the expense received tax treatment in accordance with the provisions of paragraph (1) of this Article.
- (3) The effect of conversion referred to in Article 357e, paragraph (7) of this Act shall not be considered income of a credit user within the meaning of the special regulation on income tax.
- (4) If the credit user is a taxable person subject to corporate income tax (profit tax) and if the effect of conversion referred to in Article 357e, paragraph (7) of this Act, is entered in the



business books of that person as income, it shall be reported as taxable income up to the amount which in the preceding corporate tax (profit tax) returns in that period had been reported as an expense recognised for tax purposes as an adjustment expense, in accordance with the principle of avoidance of double taxation and the principle of avoidance of double reduction in the tax base.

(5) The credit user referred to in paragraph (4) of this Article shall be obligated to deliver, together with the corporate income tax (profit tax) return for the period in which the effect of conversion referred to in article 357e, paragraph (7) of this Act is entered in the business books, the calculation of conversion referred to in Article 357e, paragraph (1) of this Act on the basis of which the credit user entered the difference in the business books, as well as evidence clearly showing that the difference received tax treatment in accordance with paragraph (4) of this Article.

(6) The provisions of paragraphs (1) to (4) of this Article shall apply *mutatis mutandis* to the expense arising from the reimbursement of the overpayment referred to in Article 357c, paragraph (1), item (5), the first and the second indent of this Act and the reimbursement referred to in Article 357c, paragraph (2) of this Act.

### *Report on loan conversion implementation*

#### Article 357i

The credit institution shall deliver to the Ministry of Finance within six months of the day of the entry into force of this Act a report on the results of the loan conversion implementation which shall contain as a minimum the following data:

- the number of credit users who have accepted or have not accepted the conversion of loans denominated in CHF into loans denominated in EUR;
- the number of credit users who have accepted or have not accepted the conversion of loans denominated in kuna with a currency clause in CHF into loans denominated in kuna with a currency clause in EUR;
- the number of credit users who have accepted or have not accepted the conversion of a claim arising from the termination of a credit contract denominated in CHF and loans denominated in kuna with a currency clause in CHF;
- the balance of loans denominated in CHF and loans denominated in kuna with a currency clause in CHF by loan type, or claims arising from the termination of a credit contract denominated in CHF or loans denominated in kuna with a currency clause in CHF on the day before the conversion and after the conversion, together with the amounts of the effects of conversion.

## **XXIX NOTIFICATION OF BREACHES OF REGULATIONS**

### *Notification of breaches of regulations*

#### Article 358

(1) The Croatian National Bank shall provide for a reliable mechanism of delivering notifications of breaches of this Act and subordinate legislation adopted under this Act, Regulation (EU) No 575/2013 and regulations adopted under that Regulation.

(2) The Croatian National Bank shall encourage delivering of the notifications of breaches referred to in paragraph (1) of this Article.

(3) For the purpose of delivering the notifications referred to in paragraph (1) of this Article, the Croatian National Bank:

1) may adopt procedures to further regulate the receipt of notifications of breaches and their follow-up, including clear rules on confidentiality of data concerning the person who delivers the notification and the natural person who is allegedly responsible for a breach;

2) shall ensure appropriate protection for employees of credit institutions who deliver the notification referred to in paragraph (1) of this Article for the purpose of their protection against possible discrimination or other types of unfair treatment.

(4) The Croatian National Bank shall treat personal data in the notification referred to in paragraph (1) of this Article in accordance with the regulations governing the protection of personal data.

(5) By way of derogation from paragraph (3), item (1) of this Article, the Croatian National Bank may use the data concerning the person who delivers the notification referred to in paragraph (1) of this Article if this is required for the purpose of investigation in criminal proceedings or initiation of other court proceedings.

### *Obligations of credit institutions regarding notification of breaches of regulations*

#### Article 359

(1) Credit institutions shall prescribe internal procedures for their employees to report, internally through a specific, independent and autonomous channel, any possible breach of regulations committed by responsible persons or other employees. Internal procedures must also contain the manner in which credit institutions shall deal with such reports.

(2) Persons who receive the information referred to in paragraph (1) of this Article shall be bound by the duty to protect their confidentiality.

(3) Credit institutions shall not discriminate against employees who deliver the notification referred to in paragraph (1) of this Article or the notification referred to in Article 358 of this Act or put them in a less favourable position than the position of other employees, and such notification shall not constitute grounds for termination of an employment contract or another contract under which an employee works for the credit institution.

(4) The requirement to provide the channel referred to in paragraph (1) of this Article may also be met through arrangements provided for by social partners.

### XXIX.a PROCEDURE FOR IMPOSING ADMINISTRATIVE SANCTIONS

#### *Competence for carrying out the procedure for imposing administrative sanctions*

#### Article 359a

The Croatian National Bank shall be competent for establishing breaches, for carrying out of the procedure for imposing administrative sanctions and for imposing administrative sanctions on legal persons and responsible persons for breaches referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act.

### *Administrative sanctions*

#### Article 359b

- (1) The Croatian National Bank shall impose administrative sanctions aimed at sanctioning the perpetrators for breaches set out in this Act in the amount proportionate to the circumstances under which the breach was committed and appropriate to deter the perpetrator and other persons from such breaches in the future.
- (2) Administrative sanctions shall include fines, periodic penalty payments and warnings.
- (3) When imposing administrative sanctions referred to in paragraph (2) of this Article, the Croatian National Bank may order the perpetrator to cease the activity and to desist from repeating the breach.

### *Persons authorised to carry out the administrative sanctions procedure*

#### Article 359c

- (1) The 'administrative sanctions procedure' means an administrative procedure carried out by the Croatian National Bank.
- (2) Only persons who, in the preceding two years, have not participated in the supervision of the party against whom the procedure for imposing administrative sanctions has been initiated (hereinafter referred to as 'party against whom the procedure has been initiated') may run the administrative sanctions procedure.

### XXIX.a.1 COURSE OF THE PROCEDURE

#### *Basis for initiating the procedure for establishing breaches*

#### Article 359d

- (1) Upon the completion of the supervisory procedure and based on the report on examination findings referred to in Article 190 of this Act and all accompanying documentation, and based on the request of the European Central Bank to initiate proceedings, in accordance with Article 18, paragraph (5) of Regulation (EU) No 1024/2013, the Croatian National Bank shall preliminarily examine the facts, circumstances and legal qualifications which might raise the grounds for imposing administrative sanctions for breaches referred to in Articles 360 to 365 of this Act.
- (2) Within the meaning of this Act, the breach is insignificant if the degree of violation of the provisions referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act is insignificant and there is no need to impose an administrative sanction on the perpetrator.

#### *Decision regarding the initiation of the procedure for imposing a fine or a warning*

#### Article 359e

- (1) Where the Croatian National Bank in the course of the preliminary examination of the facts, circumstances and legal qualifications determines that there are grounds for imposing a fine or a warning for breaches referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act, it shall initiate the procedure *ex officio* by reaching a decision regarding the initiation of the procedure for imposing a fine or a warning (hereinafter referred to as 'decision regarding the initiation of the procedure').

(2) The decision regarding the initiation of the procedure shall in particular contain:

1. case file reference;
2. description of the facts or circumstances leading to the initiation of the procedure for imposing a fine or a warning (breach description);
3. legal grounds on the basis of which and in conjunction with which a procedure for imposing a fine or a warning has been initiated;
4. invitation to the party against whom the procedure has been initiated to comment on all the facts, circumstances and legal issues relevant for deciding;
5. invitation to the party against whom the procedure has been initiated to submit data and documentation relevant for establishing the facts;
6. invitation to the party against whom the procedure has been initiated to comment on its financial standing;
7. invitation to the party against whom the procedure has been initiated to specify all the facts and circumstances which might affect the imposition of a fine or of a warning, i.e. the amount of the fine (mitigating and aggravating circumstances); and
8. invitation to the party against whom the procedure has been initiated to disclose other evidence.

(3) The Croatian National Bank shall be authorised to collect and process the personal data necessary to carry out the procedure for imposing a fine or a warning.

(4) The decision regarding the initiation of the procedure shall be submitted to the party against whom the procedure has been initiated.

(5) The procedure for imposing a fine or a warning shall be deemed to have been initiated on the date of adoption of the decision regarding the initiation of the procedure.

(6) The time limit within which the party against whom the procedure has been initiated has the right to be heard shall be set in the decision regarding the initiation of the procedure. The time limit may not be shorter than eight or longer than 30 days.

(7) By way of derogation from paragraph (6) of this Article, the Croatian National Bank may in duly justified cases at the request of the party against whom the procedure has been initiated extend the time limit for submission of comments by a maximum of 30 days.

(8) If the party against whom the procedure has been initiated does not submit its comments on the decision regarding the initiation of the procedure or if it declares itself unable to comply with the requirements set out in the decision, the Croatian National Bank shall establish the facts and circumstances relevant for establishing the factual situation and determining the criteria for imposing a fine or a warning *ex officio*, pursuant to its own findings, available data and documentation, and shall submit without delay to the party against whom the procedure has been initiated the findings on the established factual situation referred to in Article 359h of this Act.

### *Investigation procedure*

#### Article 359f

(1) For the purpose of establishing all the facts and circumstances relevant for deciding on the imposition of a fine or a warning, the Croatian National Bank shall carry out an investigation procedure.

(2) When carrying out an investigation procedure, the Croatian National Bank has the powers referred to in Article 179 and Articles 184 to 187 of this Act.

(3) When carrying out an investigation procedure, the Croatian National Bank may use any documentation and information obtained in the supervisory procedure of the credit institution and, where it deems it necessary, the documentation of other competent authorities collected within their supervisory powers or of other bodies, collected within their statutory powers.

(4) Where the party against whom the procedure has been initiated obstructs the investigation procedure, the Croatian National Bank shall fine a natural person and the responsible person of a legal person up to EUR 497,710.00, and a legal person up to twice the amount of the profits obtained or the losses avoided or in the amount of up to a maximum of 10% of total income. The appeal against the decision on the fine shall not delay the execution of the decision.

(5) The Croatian National Bank shall inform the party against whom the procedure has been initiated of the consequences of obstructing the investigation procedure referred to in paragraph (4) of this Article in the invitation to conduct the investigation.

#### *Oral hearing*

##### Article 359g

In the procedure for imposing a fine or a warning carried out by the Croatian National Bank pursuant to this Act, an oral hearing may be held which excludes the public.

#### *Findings on the established factual situation*

##### Article 359h

(1) Upon the completion of an investigation procedure, the Croatian National Bank shall draw up the findings on the established factual situation, which shall contain:

1) the established factual situation;

2) the provision of this Act pursuant to which and in relation to which a breach has been established; and

3) the fine or warning imposed and the mitigating and aggravating circumstances taken into account when determining these sanctions, as well as the circumstances that affected the amount of the fine imposed if the sanction imposed was a fine.

(2) Where it is determined in the course of the procedure that there are no grounds for imposing a fine or a warning, the Governor of the Croatian National Bank may adopt a decision to suspend the procedure. The decision to suspend the procedure shall be without delay submitted to the party against whom the procedure has been initiated.

(3) The Croatian National Bank shall submit the findings referred to in paragraph (1) of this Article based on which the breach was established to the party against whom the procedure has been initiated and invite this party to provide its comments within a time limit which may not be shorter than eight days or longer than 30 days of the receipt of the findings.

(4) The party against whom the procedure has been initiated may in the comments on the findings referred to in paragraph (3) of this Article present new facts and related evidence, only where the party proves that it was not aware or that it could not have been aware of the relevant facts and evidence when providing its previous comments in the course of this procedure.

(5) Where in the case referred to in paragraph (4) of this Article the Croatian National Bank deems that new facts and evidence are relevant for establishing the factual situation, it shall carry out an investigation procedure in relation to these facts and evidence, and draw up new findings on the established factual situation.

(6) Until the completion of the procedure, the Croatian National Bank may amend the findings referred to in paragraph (1) of this Article in part of the type and amount of a fine or a warning, of which it shall draw up new findings on the established factual situation and submit it to the party for its comments in accordance with paragraph (3) of this Article.

### *Criteria for imposing a fine or a warning*

#### Article 359i

(1) When imposing a fine or a warning, the Croatian National Bank shall take into account all circumstances affecting the type of the imposed fine or warning or the amount of the fine if the imposed sanction is a fine, in particular the mitigating and aggravating circumstances such as:

- the seriousness, repetition, frequency or duration of the breach;
- the degree of liability of the party against whom the procedure has been initiated;
- the financial soundness of the party against whom the procedure has been initiated;
- the profits obtained or the losses avoided by the party against whom the procedure has been initiated, if ascertainable;
- the losses sustained by third parties due to the committed breaches, if ascertainable;
- the degree of cooperation shown by the party against whom the procedure has been initiated;
- the behaviour by the party against whom the procedure has been initiated after the breach;
- prior breaches by the party against whom the procedure has been initiated; and
- the consequences of such breaches for the stability of the financial system and consumers.

(2) Breaches for profit that resulted in material gain for the party against whom the procedure has been initiated may be punished more strictly, up to twice the prescribed fine for the breach in question.

### *Competence for adopting the decision on administrative sanctions*

#### Article 359j

(1) Decisions imposing a fine or a warning shall be adopted by the Council of the Croatian National Bank.

(2) Decisions determining periodic penalty payments and decisions imposing the total amount of periodic penalty payments shall be adopted by the Governor.

(3) The Croatian National Bank shall submit the decisions referred to in paragraph (1) or (2) of this Article to the perpetrator of the breach within eight working days of the adoption of the decision by the Council of the Croatian National Bank.

*Administrative dispute/Judicial protection*

Article 359k

- (1) An appeal against the decision of the Croatian National Bank on administrative sanctions shall stay the execution of the decision on administrative sanctions.
- (2) Any dispute initiated before the administrative court against the decision on administrative sanctions shall be urgent.
- (3) The public shall be excluded from hearings in administrative disputes.

*Procedure of execution of fines or of the imposed total amount of periodic penalty payments*

Article 359l

- (1) The decision of the Croatian National Bank imposing a fine or the total amount of periodic penalty payments shall specify the time limit and method for payment of the imposed fine or total periodic penalty payment.
- (2) A fine or the total amount of periodic penalty payments shall be paid upon the enforceability of the decision of the Croatian National Bank if no appeal was filed or upon the enforceability of the court decision.
- (3) The Croatian National Bank may conclude an administrative agreement with the party for the purpose of enforcing the decision at the proposal of the party to which a fine was imposed or a total amount of periodic penalty payments imposed for a period not longer than 12 months during which time no limitation period referred to in Article 359n of this Article shall run.
- (4) Imposed fines and imposed total periodic penalty payments shall be revenues of the state budget.
- (5) Where the perpetrator of the breach fails to pay the fine or the imposed total amount of periodic penalty payments within the set time limit, the Croatian National Bank shall submit to the authority competent for enforcement over monetary assets an order for enforcing the payment of the fine or of the imposed total amount of periodic penalty payments in accordance with a special law, and the amount of enforced fines or imposed total amount of periodic penalty payments shall be credited directly to the state budget.

*Limitation periods for imposing administrative sanctions*

Article 359m

- (1) The administrative sanctions procedure may not be initiated after the expiry of the time limit of five years of the date when the breach occurred. The breach shall be considered to have occurred when the perpetrator was working or was required to work, irrespective of the time when the consequence of the breach occurred.
- (2) Where the perpetrator's activity consists of several separate actions which did not take place at the same time, the breach shall be considered to have been committed on the date of the last action, and in case of ongoing breaches, on the date of termination of the last action.
- (3) The limitation period referred to in paragraph (1) of this Article shall be interrupted with each action taken by the Croatian National Bank for the purpose of establishing breaches and imposing respective administrative sanctions. The interruption of the limitation period shall

begin to run from the date when the party was notified of the action taken by the Croatian National Bank.

(4) Each interruption shall cause the limitation period to begin to run afresh; however, the limitation period shall expire at the latest on the day on which a period equal to twice the duration of the period referred to in paragraph (1) of this Article has elapsed without the Croatian National Bank having imposed administrative sanctions.

(5) The limitation period for imposing administrative sanctions referred to in the previous paragraph shall not run:

- for the duration of the proceedings initiated before the administrative court against the decision of the Croatian National Bank on administrative sanctions; and
- for the duration of criminal proceedings against the party in connection with the same facts.

*Limitation periods for the execution of fines or of the imposed total amount of periodic penalty payments*

Article 359n

(1) A fine or the total amount of periodic penalty payments imposed pursuant to this Act shall not be executed if a time limit of five years expires from the date of the enforceability of the decision of the Croatian National Bank imposing the fine or imposing the total amount of periodic penalty payments and/or enforceability of a court decision.

(2) The limitation period shall begin to run from the date when the party duly receives the enforceable court decision or, in cases where the party did not appeal against the decision, from the date of the enforceability of the decision of the Croatian National Bank referred to in paragraph (1) of this Article.

(3) After each interruption, the limitation period shall begin to run afresh.

(4) The limitation period referred to in paragraph (1) of this Article shall be interrupted:

- during the time allowed to pay the imposed fine or the imposed total amount of periodic penalty payments; or
- upon each action taken by the Croatian National Bank to execute the fine or the imposed total amount of periodic penalty payments.

*Records of imposed administrative sanctions*

Article 359o

(1) Pursuant to this Act, the Croatian National Bank shall keep records of imposed administrative sanctions.

(2) Data from the records of imposed administrative sanctions may be provided pursuant to a written reasoned request to:

- courts;
- government administration bodies holding misdemeanour proceedings;
- competent authorities exercising their powers;
- government bodies – authorised prosecutors in cases of misdemeanour proceedings against the perpetrator of the breach in relation to which the data is sought;



– government bodies in cases related to delegating certain duties and tasks in the government service or when this is required for the exercise of certain rights of the person for whom the data is requested with the government administration or local and regional authorities in administrative procedures within their competence; and

– internal affairs authorities for the purpose of finding misdemeanour perpetrators.

(3) Every person has the right to request for him or herself the data from the records of imposed administrative sanctions.

(4) Upon the expiry of the period of five years of the date when the decision on administrative sanctions or a court decision became final, the Croatian National Bank shall remove the data on imposed administrative sanctions from the records of imposed administrative sanctions.

### *Warnings*

#### Article 359p

'Warnings' means administrative sanctions that the Croatian National Bank may impose on the perpetrator for breaches set out in this Act if the breach in question is exceptionally light and when given all the circumstances pertaining to the perpetrator, the conditions for achieving the purpose of the sanctions are met without imposing a fine.

### *Periodic penalty payments*

#### Article 359r

(1) The Croatian National Bank may impose periodic penalty payments on credit institutions in the event of a continuing breach of this Act and the subordinate legislation adopted pursuant to this Act, decisions or regulations of the European Central Bank, decisions adopted pursuant to this Act or decisions adopted by the Croatian National Bank pursuant to the instructions given by the European Central Bank.

(2) The Croatian National Bank shall impose periodic penalty payments when the breach is still ongoing with an aim to force the credit institution to comply with the requirement that is being breached.

(3) Periodic penalty payments shall be effective and proportionate, up to the upper limit of 5% of the average daily income per each day of the breach.

(4) Periodic penalty payments shall be calculated for each day of the breach referred to in paragraph (1) of this Article.

(5) In the decision on the determination of periodic penalty payments the Croatian National Bank shall set the amount of periodic penalty payments and specify the date on which periodic penalty payments shall begin to run and the relevant period for their application, which may not be longer than six months.

(6) If a party against whom the procedure has been initiated has remedied the breach after the expiry of the time limit referred to in paragraph (5) of this Article, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, determine that the party has not remedied the breach and that the time limit referred in paragraph (5) of this Article has expired, and determine the total amount of periodic penalty payments for each day of the time limit referred to in paragraph (5) of this Article and the period in which the credit institution is required to pay the said amount.

(7) If a party against whom the procedure has been initiated has remedied the breach within the time limit referred to in paragraph (5) of this Article, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, specify the date of the termination of the breach, and determine the total amount of periodic penalty payments for each day of the breach and the period in which the credit institution is required to pay the said amount.

(8) The provisions of Articles 359e to 359i of this Act shall not apply to the procedure for imposing periodic penalty payments, instead, the procedure referred to in Title XXVII of this Act shall apply *mutatis mutandis*.

#### XXIX.a.2 APPLICATION OF THE PROVISIONS OF THIS TITLE TO PROCEDURES CARRIED OUT IN CLOSE COOPERATION

*Deleted.*

##### Article 359s

*Deleted.*

##### Article 359t

*Deleted.*

### XXX PENALTY PROVISIONS AND BREACHES OF REGULATIONS

#### *Breaches by credit institutions*

##### Article 360

(1) A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income:

1) if it grants credits or issues guarantees or other commitments contrary to the provisions of Article 21 of this Act;

2) if it acquires holdings in another legal person contrary to the provisions of Article 23 of this Act;

3) if it fails to ensure that the acquirer ordered to sell the shares in accordance with Article 30, paragraph (1) or (2) of this Act does not exercise the voting rights arising from the shares ordered to be sold, which is contrary to Article 30, paragraph (8), item (1) of this Act;

3a) if until the expiry of the time limits set for the sale of shares it fails to notify the Croatian National Bank on a monthly basis of any changes of shareholders, which is contrary to Article 30, paragraph (8), item (2) of this Act;

4) if it breaches the provisions on the management board referred to in Article 36, paragraphs (1), (2), (3), (4), (5) or (6) of this Act;

4a) if it fails to ensure that the members of the credit institution's management board, at all times, meet the criteria for membership in the management board in accordance with Article 38, paragraph (1) of this Act, which is contrary to Article 38, paragraph (2) of this Act;

- 4b) if it fails to ensure that the members of the credit institution's supervisory board, at all times, meet the criteria for membership in the supervisory board in accordance with Article 45, paragraph (1) of this Act, which is contrary to Article 45, paragraph (2) of this Act;
- 5) if it selects or appoints a supervisory board member without prior approval contrary to Article 46, paragraph (1) of this Act;
- 6) if it carries out activities contrary to Article 59 of this Act;
- 7) if it effects any of the changes in status referred to in Article 63 of this Act without authorisation by the Croatian National Bank or fails to notify the creditors contrary to Article 63, paragraph (11) of this Act;
- 8) if it establishes a branch in another Member State without authorisation by the Croatian National Bank and without notifying the Croatian National Bank in advance in accordance with Article 75, paragraph (1) of this Act;
- 9) if, as a parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution established a branch in another Member State in accordance with Article 76, paragraph (1) of this Act;
- 10) if it begins to provide services through a branch situated in another Member State contrary to Article 77 of this Act;
- 11) if it begins to directly provide banking services or recognised financial services without notifying the Croatian National Bank in advance of its intention in accordance with Article 80, paragraph (1) of this Act;
- 12) if, as an RC parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution began to directly provide recognised financial services in accordance with Article 80, paragraph (2) of this Act;
- 13) if it establishes a branch in a third country without prior authorisation by the Croatian National Bank in accordance with Article 81, paragraph (3) of this Act;
- 14) if it makes advance profit or dividend payments, pays out profits or dividends or makes payments deriving from the participation of its management board, supervisory board or employees in the profits of the credit institution contrary to Article 99 of this Act;
- 15) if it fails to establish or if it fails to apply remuneration policies that are proportionate to its size, internal organisation and the nature, scale and complexity of its activities, which is contrary to Article 100, paragraph (1) of this Act;
- 15a) if it acts contrary to requirements regarding the determining of identified staff, including employee remuneration, or the method and scope of their implementation and if it fails to report to the Croatian National Bank in the manner and within the time limits referred to in subordinate legislation adopted under Article 100, paragraph (4) of this Act;
- 15b) if it sets the ratio between the variable and fixed components of total remuneration contrary to Article 100a, paragraph (1) of this Act;
- 15c) if, within five working days after the date the general assembly was held, it fails to notify the Croatian National Bank of the decision adopted at the general assembly on the approved higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio, or on the approved different higher ratios between variable and fixed components, if different higher ratios are applied to different business units, control and other functions and different categories of identified staff, including the specification of different higher ratios, which is contrary to Article 100a, paragraph (3) of this Act;

15d) if, within five working days after the date the general assembly was held, it fails to submit to the Croatian National Bank the information on the total number of staff (at the end of the last financial year), the number of identified staff (outcome of the last identification process), the balance sheet total (at the end of the last financial year), the decision taken by the general assembly of the credit institution, the ratio decided or where different ratios within the credit institution were approved, the business areas and approved percentages and the maximum approved ratio, which is contrary to Article 100a, paragraph (4) of this Act;

15e) if it uses the instruments to award variable remuneration in the form of ordinary shares of a credit institution which is its direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is its direct or indirect parent and which have an embedded clause that limits the maximum allowed value of instruments to their value on the date the remuneration was awarded, and the condition is not met that the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself, which is contrary to Article 100b of this Act;

16) if it fails to establish or implement governance arrangements in accordance with Article 101, paragraph (1) of this Act;

17) if it fails to establish effective management of all risks in accordance with Article 103 of this Act or if it acts contrary to credit risk management rules, rules for the management of market risks, operational risk management rules and rules for the management of other risks referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

18) if it fails to calculate a change in the economic value of the credit institution that arises from the non-trading book as a result of a standard interest rate shock, if it fails to notify the Croatian National Bank of exposure to interest rate risk in the non-trading book or if it acts contrary to other procedures and principles to manage interest rate risk in the non-trading book referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

19) if it acts contrary to liquidity risk management rules referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

20) if it acts contrary to rules on information system management and management of risks arising from the use of the information system referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

21) if it fails to allocate exposures into groups by recoverability, if it fails to determine value adjustments, impairment of on-balance sheet items and provisions for off-balance sheet items or if it acts contrary to other rules regarding monitoring of credit risk-bearing portfolios referred to in subordinate legislation adopted under Article 101, paragraph (2), item (2) of this Act;

22) if it fails to identify a group of connected clients in circumstances where the conditions for identifying groups of connected clients are met in accordance with a regulatory technical standard adopted by the European Commission pursuant to Article 4, paragraph (4) of Regulation (EU) No 575/2013 and subordinate legislation adopted under Article 101, paragraph (2), item (3) of this Act;

23) if it acts contrary to rules on provisions for litigation costs and legal risk referred to in subordinate legislation adopted under Article 101, paragraph (2), item (4) of this Act;

25) if it fails to draw up or deliver to the Croatian National Bank a recovery plan, fails to apply the adopted recovery plan or fails to update the recovery plan, contrary to Article 154, paragraphs (1), (2), (3), (4) and (5) of this Act and Article 154a paragraph (1) of this Act, or if

the recovery plan is not drawn up in the manner and the scope provided for in the subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act, or if the content of the recovery plan is not provided for in the subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act, or if the recovery plan is not submitted in the manner and within the time limits provided for their submission, and thereby acts contrary to the subordinate legislation adopted under Article 101, paragraph (2), item (7) of this Act;

26) if it fails to allocate reserves for general banking risks, and to calculate individual and all open positions and the largest permitted difference between these positions and limits determining special conditions for the operation of credit institutions in accordance with subordinate legislation adopted under Article 101, paragraph (3) of this Act;

27) if it fails to establish and implement effective internal control systems in all areas of operation including an appropriate organisational structure, organisational culture, establishment of the credit institution's control functions, adequate control activities and the allocation of responsibilities, appropriate internal controls integrated into the business processes and activities of the credit institution and appropriate administrative and accounting procedures, and thereby acts contrary to Article 104, paragraph (2) of this Act;

27a) if it fails to establish a risk control function, a compliance function or an internal audit function, and thereby acts contrary to Article 105, paragraph (1) of this Act;

27b) if it fails to establish permanent and effective control functions independent from the business processes and activities in which a risk occurs or which are monitored and overseen by control functions, proportionally to its size and the nature, scale and complexity of its activities in accordance with its risk profile, and thereby acts contrary to Article 106, paragraph (1) of this Act;

27c) if it fails to organise an internal audit function as a separate organisational unit, functionally and organisationally independent both from the activities it audits and from other organisational units of the credit institution, and thereby acts contrary to Article 106, paragraph (4) of this Act;

27d) if it fails to organise its control functions in a manner to cover all material risks to which the credit institution is or might be exposed in its operation, and thereby acts contrary to Article 106, paragraph (5) of this Act;

27e) if it fails to establish control functions in a manner to avoid conflicts of interest, and thereby acts contrary to Article 106, paragraph (6) of this Act;

27f) if it fully outsources its control functions, and thereby acts contrary to Article 106, paragraph (7) of this Act;

27g) if, proportionally to its size, the nature, scale and complexity of its activities, for the carrying out of each control function, it fails to ensure a sufficient number of persons with adequate knowledge and experience, and thereby acts contrary to Article 107, paragraph (1) of this Act;

27h) if, for the performance of a certain control function, it fails to appoint a person responsible for the operation of the control function, and thereby acts contrary to Article 107, paragraph (2) of this Act;

27i) if it fails to notify the Croatian National Bank, within three days, of the appointment of persons responsible for the operation of each control function or if it fails to notify the Croatian National Bank of the reasons for the removal of persons responsible for the operation of each control function, and thereby acts contrary to Article 107, paragraph (4) of this Act;

28) if a person responsible for the operation of a control function fails to notify the credit institution's management and supervisory board and the Croatian National Bank in accordance with Article 108 of this Act;

28a) if it acts contrary to subordinate legislation governing control functions adopted under Article 105, paragraph (3) of this Act;

29) if it fails to have in place, implement and regularly review strategies and procedures to assess the adequacy of internal capital in accordance with Article 113 of this Act;

30) if it uses internal models or approaches, or fails to notify the Croatian National Bank of planned changes in the internal model or if it ceases to comply with the requirements for obtaining the permission contrary to Article 114 of this Act or contrary to Part Three of Regulation (EU) No 575/2013;

30a) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet any requirements imposed under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 or to meet the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage or to meet the guidance communicated by the Croatian National Bank to the credit institution in accordance with Article 228a of this Act, used to cover risks other than the risk of excessive leverage, which is contrary to Article 115a, paragraph (1) of this Act;

30b) if common equity tier 1 capital that is maintained to meet one of the buffers is used to meet other applicable buffers, which is contrary to Article 115a, paragraph (2) of this Act;

30c) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013 or to meet the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013 or to meet the minimum requirement for own funds and eligible liabilities imposed under Article 26 of the Act on the Resolution of Credit Institutions and Investment Firms or to meet the minimum requirement for own funds and eligible liabilities for resolution entities belonging to G-SIIs and Union material subsidiaries of non-EU G-SIIs, which is contrary to Article 115a, paragraph (3) of this Act;

35) if it makes a distribution in connection with common equity tier 1 capital contrary to the provisions of Article 140, paragraph (1) of this Act;

36) if it fails to notify the Croatian National Bank of the calculated maximum distributable amount in the manner referred to in Article 140, paragraph (2) of this Act;

37) if it fails to calculate or if it incorrectly calculates the maximum distributable amount in accordance with subordinate legislation adopted under Article 140, paragraph (10) of this Act;

38) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the maximum distributable amount and thereby acts contrary to the provisions of Article 140, paragraph (3) of this Act, or if in this manner it distributes more than the maximum distributable amount and thereby acts contrary to Article 140, paragraph (5) of this Act;

38a) if it meets the leverage ratio buffer requirement under Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and makes a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the combined buffer requirement is no longer met, which is contrary to Article 140, paragraph (6) of this Act;



38b) if it fails to meet the leverage ratio buffer requirement and if it fails to calculate the leverage ratio related maximum distributable amount (L-MDA) in accordance with subordinate legislation referred to in Article 140, paragraph (10) of this Act and/or if it fails to notify the Croatian National Bank, without delay, of the calculated distributable amount, which is contrary to Article 140, paragraph (7) of this Act;

38c) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the leverage ratio related maximum distributable amount (L-MDA) and thereby acts contrary to the provisions of Article 140, paragraph (8) of this Act, or if in this manner it distributes more than the maximum distributable amount and thereby acts contrary to Article 140, paragraph (10) of this Act;

39) if it fails to notify the Croatian National Bank of its intention to distribute profits or undertake an action referred to in Article 140, paragraph (3) of this Act or if it fails to provide the prescribed information, which is contrary to the provisions of Article 142, paragraph (1) of this Act;

40) if it fails to have in place, implement and regularly review arrangements in accordance with Article 142, paragraph (2) of this Act;

41) if it fails to prepare a capital conservation plan in the manner prescribed or if it fails to submit it to the Croatian National Bank within the time limits prescribed, which is contrary to the provisions of Article 143, paragraph (1) or (3) of this Act;

42) if it fails to undertake capital conservation measures contrary to Article 143a, paragraphs (1), (2) or (3) of this Act, or if it acts contrary to subordinate legislation adopted under Article 143a, paragraph (4) of this Act;

42a) if it fails to undertake measures set out in Article 144a of this Act or if it acts contrary to subordinate legislation adopted under Article 144a of this Act;

42b) if for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) No 575/2013, it reduces the value of an exposure or any part of an exposure that is, in accordance with Article 125, paragraph (1) of Regulation (EU) No 575/2013, secured by residential property or, in accordance with Article 126, paragraph (1) of Regulation (EU) No 575/2013, secured by mortgages on commercial immovable property by the pledged amount of the market value or mortgage lending value of the property concerned, which is contrary to Article 145b of this Act;

43) if it concludes a legal arrangement without prior approval of the supervisory board contrary to the provisions of Article 147 of this Act;

44) if it acts contrary to the provisions on the limits on holdings referred to in Article 148, paragraph (1) of this Act and if it fails to calculate limits on holdings or if it acts contrary to other rules regarding limits on holdings of tangible assets referred to in subordinate legislation adopted under Article 101, paragraph (2), item (6) of this Act;

45) if it acquires a holding without prior approval of the Croatian National Bank contrary to the provisions of Article 149, paragraph (1) or (2) of this Act;

46) if it acts contrary to the provisions on the sale of placements referred to in Article 150, paragraphs (2) to (5) and (8) of this Act or if it acts contrary to subordinate legislation adopted under Article 150, paragraph (7) of this Act;

- 47) if it fails to report to the Croatian National Bank of the facts and circumstances referred to in Article 151 of this Act;
- 48) if it fails to deliver to the Croatian National Bank the reports and information referred to in Article 153 of this Act;
- 49) if it fails to deliver to the Croatian National Bank its statements and reports or if it fails to publish such statements and reports in accordance with the provisions of Articles 163 and 164 of this Act;
- 50) if it fails to carry out the statutory audit of financial statements referred to in Article 168, paragraph (1) of this Act;
- 51) if it discloses annual financial statements or annual consolidated financial statements that have been dismissed or refused or if it fails to ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed, or if annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, fails to without delay notify the Financial Agency and regulated securities markets where the securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been dismissed or refused by a decision of the Croatian National Bank, or if it fails to without delay disclose the same notification on its website, which is contrary to Article 173, paragraph (7) of this Act;
- 52) if it fails to enable authorised persons to carry out on-site inspections in the manner and under conditions referred to in Articles 184, 186 and 187 of this Act;
- 53) if it fails to act in accordance with a decision adopted by the Croatian National Bank under the provisions of this Act or Regulation (EU) No 575/2013;
- 54) if it fails to notify the Croatian National Bank of the date of convening the general assembly within the time limit prescribed for notifying the credit institution's shareholders of the convening of the general assembly or if it fails to permit a representative of the Croatian National Bank to attend the general assembly in accordance with Article 227, paragraph (1) or (2) of this Act;
- 55) if it fails to meet an obligation regarding notification of breaches of regulations in the manner referred to in Article 359 of this Act or if, in any manner whatsoever, it puts employees who deliver the notification of breaches of regulations in a less favourable position;
- 56) if, in the period prior to the adoption of regulations under this Act and Regulation (EU) No 575/2013 it fails to act in accordance with the provisions of subordinate legislation referred to in Article 388 of this Act;
- 57) if it fails to calculate own funds in accordance with Part Two of Regulation (EU) No 575/2013 or in accordance with the technical standard adopted by the European Commission pursuant to the provisions of Part Two of Regulation (EU) No 575/2013;
- 58) if it classified capital instruments referred to in Articles 26, 52 and 63 of Regulation (EU) No 575/2013 as common equity tier 1 capital, additional tier 1 capital or tier 2 capital without prior permission of the Croatian National Bank to classify capital instruments as common equity tier 1 capital, additional tier 1 capital or tier 2 capital, which is contrary to Article 26, paragraph (3) of Regulation (EU) No 575/2013, i.e. Article 114, paragraph (4) of this Act;
- 59) if it makes payments to holders of instruments included in the own funds in cases where Article 28, 51 or 63 of Regulation (EU) No 575/2013 prohibit such payments;



- 60) if its common equity tier 1 capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its tier 1 capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its total capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its own funds fall below the level laid down in Article 93 of Regulation (EU) No 575/2013;
- 61) if it fails to calculate own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013 or in accordance with the technical standard adopted by the European Commission pursuant to the provisions of Part Three of Regulation (EU) No 575/2013;
- 62) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on compliance with the own funds requirements laid down in Article 92 of Regulation (EU) No 575/2013, and thereby acts contrary to Article 99 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 99 of Regulation (EU) No 575/2013;
- 63) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on losses and exposure values, and thereby acts contrary to Article 101 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 101 of Regulation (EU) No 575/2013;
- 64) if it fails to meet the requirements for the trading book set out in Articles 102 to 106 of Regulation (EU) No 575/2013 or fails to meet the requirements for the trading book and prudent valuation in accordance with the technical standard adopted by the European Commission pursuant to Article 105 of Regulation (EU) No 575/2013;
- 65) if it fails to calculate exposures or fails to act in accordance with other requirements for large exposures set out in Part Four of Regulation (EU) No 575/2013 or fails to calculate exposures or act in accordance with other requirements for large exposures in accordance with the technical standard adopted by the European Commission pursuant to Part Four of Regulation (EU) No 575/2013;
- 66) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on large exposures, which is contrary to Article 394, paragraph (1) of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 394 of Regulation (EU) No 575/2013;
- 67) if it incurs an exposure in excess of the limit set out in Article 395 of Regulation (EU) No 575/2013;
- 68) if it fails to notify the Croatian National Bank of exceeding the maximum permitted exposure limits in the manner prescribed in Article 396 of Regulation (EU) No 575/2013 or if pursuant to Article 396 Regulation (EU) No 575/2013 it fails to deliver to the Croatian National Bank an acceptable and credible plan for timely return to compliance with the limits to large exposures or fails to exercise this plan within the time limit and in the manner envisaged by it;
- 69) if it is exposed to the credit risk of a securitisation position without satisfying the conditions set out in Article 405 of Regulation (EU) No 575/2013 or if it fails to act in accordance with the requirements set out in Part Five of Regulation (EU) No 575/2013 or requirements in relation to exposures to transferred credit risk referred to in the technical standard adopted by the European Commission pursuant to Article 410 of Regulation (EU) No 575/2013;
- 70) if it repeatedly or persistently fails to maintain sufficient liquid assets, which is contrary to Article 412 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank

in accordance with the reference dates laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank within time limits for submission of reports laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to submit additional liquidity reports in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013;

71) if it fails to ensure that long term obligations are adequately met with a diversity of stable funding instruments in accordance with Article 413 of Regulation (EU) No 575/2013;

72) if it fails to notify the Croatian National Bank and submit to it a plan for the timely restoration of compliance, and thereby acts contrary to Article 414 of Regulation (EU) No 575/2013;

73) if it fails to report information or provides incomplete or inaccurate information on liquidity to the Croatian National Bank, which is contrary to Article 415, paragraphs (1) and (2) of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013;

74) if it fails to develop methodologies and processes to calculate and report the market value and haircuts for shares or units in investment funds in accordance with Article 418, paragraph (4) of Regulation (EU) No 575/2013;

75) if it fails to calculate the leverage ratio in accordance with Article 429 of Regulation (EU) No 575/2013;

76) if it fails to report information or provides incomplete or inaccurate information on the leverage ratio to the Croatian National Bank, which is contrary to Article 430, paragraph (1) of Regulation (EU) No 575/2013 or if it fails to report information in accordance with the uniform reporting form, or if it fails to report data in compliance with the instructions for use of these forms, or if it fails to report information in compliance with the dates of reporting or fails to report information in accordance with IT solutions as specified in the technical standard adopted by the European Commission pursuant to Article 430 of Regulation (EU) No 575/2013;

77) if it fails to disclose information or provides incomplete or inaccurate information, which is contrary to Article 431, paragraphs (1), (2) and (3) of Regulation (EU) No 575/2013 or in accordance with the technical standard adopted by the European Commission pursuant to the provisions of Part Eight of Regulation (EU) No 575/2013;

78) if it acts contrary to subordinate legislation adopted by the Croatian National Bank under its powers under Regulation (EU) No 575/2013;

79) if it acts contrary to the delegated act adopted by the European Commission pursuant to Articles 456, 457, 459 and 460 of Regulation (EU) No 575/2013;

80) if it acts contrary to subordinate legislation that the Croatian National Bank adopted for the purpose of implementing implementing and regulatory technical standards, for the purpose of compliance with the guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 or compliance with the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010;

81) if its initial capital is below the amount provided for in Article 19 of this Act;

82) if it concludes a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions, which is

contrary to Article 146a, paragraph (1) of this Act or if it concludes a legal arrangements as a result of which the total exposure to a person in a special relationship would exceed EUR 7,000.00 without the unanimous decision of all management board members or prior approval of the supervisory board, which is contrary to Article 146a, paragraph (2) of this Act;

83) if it concludes a financial support agreement without prior authorisation of the consolidating supervisor contrary to Article 216b, paragraph (11) or Article 216c, paragraph (2) of this Act or fails to notify the Croatian National Bank of the conclusion of the agreement, which is contrary to Article 216e, paragraph (1) of this Act;

84) if it provides support without the approval of the Croatian National Bank, which is contrary to Article 216h, paragraph (1) of this Act or if it fails to notify the Croatian National Bank of its intention to provide support, which is contrary to Article 216h, paragraphs (1) and (2) of this Act;

85) if it fails to notify the decision to provide financial support, which is contrary to Article 216i, paragraph (1) of this Act or if it fails to publicly disclose and update at least annually the information referred to in Article 216i, paragraphs (3) and (4) of this Act, which is contrary to Article 216i, paragraphs (3) and (4) of this Act;

86) if it carries out the reduction of common equity tier 1 capital items contrary to Articles 312a, 312b or 312c of this Act;

86a) if it does not exchange the information in line with the provisions of Article 321 paragraphs (2) to (5) of this Act;

87) if it fails to update or where necessary draw up a new recovery plan and deliver it to the Croatian National Bank, which is contrary to Article 152, paragraph (2) of the Act on Amendments to the Credit Institutions Act;

88) if it acts contrary to legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013, which are directly applicable in the Republic of Croatia;

89) if it acts contrary to the decision of the Croatian National Bank, adopted by the Croatian National Bank in close cooperation pursuant to instructions, general guidelines, requests or measures of the European Central Bank; or

90) if it exceeds the limits on exposures under Article 145a of this Act.

(2) A responsible person of the management board of the credit institution shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (1) of this Article.

(3) A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income if, contrary to Article 39, paragraph (1) of this Act, it appoints a management board member without prior approval of the Croatian National Bank or if, contrary to Article 40, paragraph (1) of this Act, it appoints a chairperson of the management board without prior approval of the Croatian National Bank.

(4) A responsible person of the supervisory board of the credit institution shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (3) of this Article.

(5) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to EUR 3,980.00 for breaches referred to in paragraph (1) of this Article.

#### *Other breaches by credit institutions*

## Article 361

(1) A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income:

- 1) if its preferential shares exceed the limit referred to in Article 22 of this Act;
- 2) if it fails to notify the Croatian National Bank of the termination of the term of office of members of the management or supervisory board or if it fails to state the reasons for the termination contrary to Article 35, paragraph (4) of this Act;
- 3) if it breaches the provisions on the employment status of management board members referred to in Article 37 of this Act;
- 4) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for management board members contrary to Article 38, paragraph (2) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 38, paragraph (3) of this Act;
- 5) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members of a credit institution contrary to Article 45, paragraph (6) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 45, paragraph (8) of this Act;
- 6) if it fails to ensure that members of the risk committee or the risk and audit committee have adequate access to information in accordance with the provisions of Article 52, paragraph (5) of this Act;
- 7) if it fails to identify key functions in accordance with Article 54, paragraph (1) of this Act or to adopt and implement appropriate policies for selecting and assessing the suitability of key function holders in accordance with Article 54, paragraph (2) of this Act or if it fails to take appropriate measures to ensure the suitability of a key function holder in accordance with Article 54, paragraph (3) of this Act, or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 54, paragraph (4) of this Act;
- 8) if it fails to notify the Croatian National Bank and the competent authority of the host Member State at least one month before effecting the change in the operation of its branch situated in a Member State in accordance with Article 78 of this Act;
- 9) if it establishes a representative office in a third country without notifying the Croatian National Bank in accordance with Article 82 of this Act;
- 10) if in the course of outsourcing it acts contrary to Articles 109 to 111 of this Act;
- 11) if it fails to take appropriate measures to develop and use internal approaches for calculating own funds requirements in accordance with the provision of Article 115, paragraph (1) of this Act;
- 12) if it fails to store bookkeeping documents in accordance with the provisions of Article 160, paragraphs (1), (2) or (4) this Act or if it fails to follow the chart of accounts in accordance with the provisions of Article 161, paragraph (2) of this Act or if it prepares financial statements or other reports contrary to the subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act or if it fails to deliver to the Croatian National Bank financial or other statements in accordance with subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act, which is contrary to Article 162, paragraph (4) of this Act;

- 13) if in its public disclosures it fails to act in accordance with the frequency of and time limits for public disclosure prescribed by subordinate legislation adopted under Article 165 of this Act or if it fails to disclose information in accordance with Article 166 of this Act;
- 14) if it fails to deliver to the Croatian National Bank a decision to appoint an audit firm in accordance with Article 169, paragraph (1) of this Act;
- 15) if it fails to notify and explain to the Croatian National Bank the termination of a contract with an audit firm in accordance with Article 171, paragraph (1) of this Act;
- 16) if it acts contrary to subordinate legislation adopted under Article 175, paragraph (2) of this Act;
- 17) if it fails to meet the obligations relating to supervision of intra-group transactions, and thereby acts contrary to Article 292, paragraph (2) of this Act;
- 18) if it fails to apply a method for prudential consolidation prescribed in Article 18, paragraph (1) of Regulation (EU) No 575/2013 or fails to carry out consolidation in accordance with the conditions according to which consolidation should be carried out as specified in the regulatory technical standard adopted by the European Commission pursuant to Article 18, paragraph (7) of Regulation (EU) No 575/2013;
- 19) if it fails to include in consolidation the undertakings referred to in Article 18, paragraph (8) of Regulation (EU) No 575/2013;
- 20) if it excludes an undertaking from consolidation in a manner contrary to the provision of Article 19, paragraphs (1) and (3) of Regulation (EU) No 575/2013;
- 21) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on the level of its repurchase agreements, securities lending and all forms of encumbrance of assets in accordance with Article 100 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 99 of Regulation (EU) No 575/2013;
- 22) if it fails to adopt a policy regarding disclosure of information in accordance with Article 431, paragraph (3) of Regulation (EU) No 575/2013;
- 23) if it fails to explain in writing a rating decision in accordance with Article 431, paragraph (4) of Regulation (EU) No 575/2013;
- 24) if it fails to disclose information in accordance with the frequency required under Article 433 of Regulation (EU) No 575/2013;
- 25) if it fails to comply with the provisions on the means of disclosures under Article 434 of Regulation (EU) No 575/2013;
- 26) if it prepares reports on exposures to persons in a special relationship with the credit institution contrary to subordinate legislation adopted under Article 146c of this Act or if it fails to submit to the Croatian National Bank reports on exposures to persons in a special relationship with the credit institution in accordance with subordinate legislation adopted under Article 146c of this Act;
- 27) if it fails to report to the Croatian National Bank in accordance with subordinate legislation adopted under Article 101, paragraph (2), items (1), (4), (5) or (7) of this Act or if it provides incomplete or inaccurate information;
- 28) if it prepares reports on capital buffers and capital conservation measures contrary to subordinate legislation adopted under Article 144, paragraph (2) of this Act or if it fails to submit to the Croatian National Bank reports on capital buffers and capital conservation



measures in accordance with subordinate legislation adopted under Article 144, paragraph (2) of this Act, which is contrary to Article 144, paragraph (1) of this Act.

(2) A responsible person of the management or supervisory board of a credit institution shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article.

(3) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article.

#### Article 361a

(1) A credit institution shall be fined between EUR 10,610.00 and EUR 26,540.00:

– if it fails to carry out the conversion of a loan denominated in CHF into a loan denominated in EUR or of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR, and the position of a credit user with a loan denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR in accordance with Article 357b of this Act;

– if it fails to recalculate the amount of the initially granted principal of a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF to the amount of the principal of a loan denominated in EUR or a loan denominated in kuna with a currency clause in EUR using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR and in kuna with a currency clause in EUR; the amount of the initially granted principal shall be the amount entered in creditor's business books, where this amount may be greater than the amount disbursed as a result of the exchange rate difference arising from the foreign exchange purchase/sale at the time of loan disbursement in accordance with Article 357c, paragraph (1), item (1) of this Act;

– if instead of the initially agreed interest rate on a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, the creditor fails to apply the interest rate equal to the interest rate (in terms of amount, type and period of change) which the creditor applied to loans of the same type and duration denominated in EUR or denominated in kuna with a currency clause in EUR on the date of entering into the credit contract in accordance with Article 357c, paragraph (1), item (2) of this Act;

– if it fails to replace the initially determined loan amortisation schedule for a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments or annuities in CHF or in kuna with a currency clause in CHF have been calculated, with the new loan amortisation schedule calculated in accordance with Article 357c, paragraph (1), items (1) and (2) of this Act and on the basis of which new instalments or annuities are calculated in EUR or in kuna with a currency clause in EUR, taking into account all changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount, type and period of change in interest rates and other changes which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities in accordance with Article 357c, paragraph (1), item (3) of this Act;

- if it fails to convert to EUR and with a currency clause in EUR the amounts paid to settle the initially determined instalments or annuities in CHF or in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purposes of conversion) using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR or denominated in kuna with a currency clause in EUR; the amounts converted to EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined in accordance with the new loan amortisation schedule in EUR and with a currency clause in EUR referred to in Article 357c, paragraph (1), item (3) of this Act, respecting the order of settlement of due obligations in accordance with the general conditions of the creditor and not charging default interest in accordance with Article 357c, paragraph (1), item (4) of this Act;
- if it fails to determine as overpayment in accordance with Article 357c, paragraph (1), item (5) of this Act the total amount paid, determined in EUR and with a currency clause in EUR, in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;
- if it fails to use the amount of overpayment, which does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR and with a currency clause in EUR may be closed out by overpayment, until overpayment is used in full in accordance with Article 357c, paragraph (1), item (5), the first indent of this Act;
- if it fails to reimburse to the credit user the amount of overpayment, which exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, within 60 days of the date of acceptance of conversion in accordance with Article 357c, paragraph (1), item (5), the second indent of this Act;
- if it fails to settle in accordance with the contract with the credit user in accordance with Article 357c, paragraph (1), item (6) of this Act the total paid amount determined in EUR and with a currency clause in EUR in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is smaller than the sum total of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;
- if it fails to determine the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR as at 30 September 2015, as the difference between the new loan amortisation schedule determined in accordance with Article 357c, paragraph (1), item (3) of this Act and the amounts paid determined in accordance with Article 357c, paragraph (1), item (4) of this Act, and in accordance with Article 357c, paragraph (1), item (7) of this Act;
- if it fails to determine the effect of conversion in the manner provided for in Article 357c, paragraph (1), item (8) of this Act;

if it fails to draw up the calculator within the time limit prescribed and to make it available to each individual credit user at its website in accordance with Article 357d, paragraph (1) of this Act;

– if prior to posting of the calculator on its website, it fails to obtain an opinion of a certified auditor or a judicial expert that the calculator is drawn up in accordance with the manner of calculation prescribed in Article 357c of this Act or fails to post the opinion on its website within the prescribed time limit in accordance with Article 357d, paragraph (3) of this Act;

– if it fails to deliver to the credit user and/or the persons from whom the creditor demanded or has the right to demand fulfilment of an obligation within the prescribed time limit and in the manner prescribed the calculation of conversion, together with the proposal of a new or amended credit contract in accordance with Article 357e, paragraphs (1), (2) and (3) of this Act;

– if it fails to deliver to the Ministry of Finance within the time limit prescribed a report on the results of the loan conversion implementation in accordance with Article 357i of this Act.

(2) A responsible person of the legal person shall be fined between EUR 1,320.00 and EUR 6,630.00 for the misdemeanour referred to in paragraph (1) of this Article.

(3) A creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between EUR 10,610.00 and EUR 26,540.00:

– if it fails to carry out the conversion of a loan denominated in CHF into a loan denominated in EUR or of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR, and the position of a credit user with a loan denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR in accordance with Article 357b of this Act;

– if it fails to recalculate the amount of the initially granted principal of a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF to the amount of the principal of a loan denominated in EUR or a loan denominated in kuna with a currency clause in EUR using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR and in kuna with a currency clause in EUR; the amount of the initially granted principal shall be the amount entered in creditor's business books, where this amount may be greater than the amount disbursed as a result of the exchange rate difference arising from the foreign exchange purchase/sale at the time of loan disbursement in accordance with Article 357c, paragraph (1), item (1) of this Act;

– if instead of the initially agreed interest rate on a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, the creditor fails to apply the interest rate equal to the interest rate (in terms of amount, type and period of change) which the creditor applied to loans of the same type and duration denominated in EUR or denominated in kuna with a currency clause in EUR on the date of entering into the credit contract in accordance with Article 357c, paragraph (1), item (2) of this Act;

– if it fails to replace the initially determined loan amortisation schedule for a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments or annuities in CHF or in kuna with a



currency clause in CHF have been calculated, with the new loan amortisation schedule calculated in accordance with Article 357c, paragraph (1), items (1) and (2) of this Act and on the basis of which new instalments or annuities are calculated in EUR or in kuna with a currency clause in EUR, taking into account all changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount, type and period of change in interest rates and other changes which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities in accordance with Article 357c, paragraph (1), item (3) of this Act;

– if it fails to convert to EUR and with a currency clause in EUR the amounts paid to settle the initially determined instalments or annuities in CHF or in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purposes of conversion) using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR or denominated in kuna with a currency clause in EUR; the amounts converted to EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined in accordance with the new loan amortisation schedule in EUR and with a currency clause in EUR referred to in Article

357c, paragraph (1), item (3) of this Act, respecting the order of settlement of due obligations in accordance with the general conditions of the creditor and not charging default interest in accordance with Article 357c, paragraph (1), item (4) of this Act;

– if it fails to determine as overpayment in accordance with Article 357c, paragraph (1), item (5) of this Act the total amount paid, determined in EUR and with a currency clause in EUR, in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;

– if it fails to use the amount of overpayment, which does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when

paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR and with a currency clause in EUR may be closed out by overpayment, until overpayment is used in full in accordance with Article 357c, paragraph (1), item (5), the first indent of this Act;

– if it fails to reimburse to the credit user the amount of overpayment, which exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as

at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, within 60 days of the date of acceptance of conversion in accordance with Article 357c, paragraph (1), item (5), the second indent of this Act;

– if it fails to settle in accordance with the contract with the credit user in accordance with Article 357c, paragraph (1), item (6) of this Act the total paid amount determined in EUR and with a currency clause in EUR in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is smaller than the sum total of instalments or annuities in EUR and with a

currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;

– if it fails to determine the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR as at 30 September 2015, as the difference between the new loan amortisation schedule determined in accordance with Article 357c, paragraph (1), item (3) of this Act and the amounts paid determined in accordance with Article 357c, paragraph (1), item (4) of this Act, and in accordance with Article 357c, paragraph (1), item (7) of this Act;

– if it fails to determine the effect of conversion in the manner provided for in Article 357c, paragraph (1), item (8) of this Act;

– if it fails to draw up the calculator within the time limit prescribed and to make it available to each individual credit user at its website in accordance with Article 357d, paragraph (1) of this Act;

– if prior to posting of the calculator on its website, it fails to obtain an opinion of a certified auditor or a judicial expert that the calculator is drawn up in accordance with the manner of calculation prescribed in Article 357c of this Act or fails to post the opinion on its website within the prescribed time limit in accordance with Article 357d, paragraph (3) of this Act;

– if it fails to deliver to the credit user and/or the persons from whom the creditor demanded or has the right to demand fulfilment of an obligation within the prescribed time limit and in the manner prescribed the calculation of conversion, together with the proposal of a new or amended credit contract in accordance with Article 357e, paragraphs (1), (2) and (3) of this Act;

– if it fails to deliver, together with the corporate income tax (profit tax) return for the period in which the expense referred to in Article 357h, paragraph (1) of this Act is entered in the business books, a cumulative summary of the calculations of the conversions referred to in Article 357e of this Act, on the basis of which the creditor entered the expense in the business books, as well as evidence clearly showing that the expense received the tax treatment in accordance with the provisions of Article 357h, paragraph (1) of this Act;

– if it fails to deliver to the Ministry of Finance within the time limit prescribed a report on the results of the loan conversion implementation in accordance with Article 357i of this Act.

(4) A responsible person of the creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between EUR 1,320.00 and EUR 6,630.00 for the misdemeanour referred to in paragraph (3) of this Article.

#### *Misdemeanours due to breaches of provisions on consumer protection*

##### Article 361b

(1) A G-SII or an O-SII shall be fined between EUR 4,970.00 and up to 3% of total income:

1) if general service information is not clear and understandable, which is contrary to Article 301, paragraph(1) of this Act;

2) if general service information is not available in the Croatian language, which is contrary to Article 301, paragraph (1) of this Act;

3) if general service information is not available in writing, which is contrary to Article 301, paragraph (1) of this Act;

- 4) if general service information is not available in an appropriate place in its business premises where it provides services to consumers, which is contrary to Article 301, paragraph (1) of this Act;
- 5) if it offers credit contracts that reference a benchmark as defined in Article 3, paragraph (1), item (3) of Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29. 6. 2016) and fails to include in its general service information the name of the benchmark and benchmark administrators and the potential implications for the consumer, which is contrary to Article 301, paragraph (2) of this Act;
- 6) if it fails to conclude a contract with a consumer on the provision of a particular banking service referred to in Article 7 of this Act in writing, or if the contract concluded is not in the Croatian language, or if at least one copy of the contract is not delivered to the consumer, or if in the case of a credit contract at least one copy of the contract is not provided to other participants in the credit relationship, which is contrary to Article 302, paragraph (1) of this Act;
- 7) if before concluding a contract on the provision of banking or financial services it fails to provide the consumer with personalised information, or if this information fails to include at least the information prescribed by the law governing consumer credit, housing consumer credit and other regulations governing particular banking and financial services, which is contrary to Article 302, paragraph (2) of this Act;
- 8) if before concluding a contract it fails to present or disclose to the consumer all the important terms and conditions of the contract which clearly indicate the rights and obligations of the contracting parties, and for credit contracts if it fails to present or disclose to other participants in the credit relationship all the relevant information on the terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties, or if it fails to warn other participants in the credit relationship of the legal implications of being a co-debtor or guarantor, as well as of the right of the credit institution to undertake collection of its claims from all participants in the credit relationship, which is contrary to Article 302, paragraph (3) of this Act;
- 9) if at the request of the consumer it fails to provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, or if at the request of another participant in the credit relationship it fails to make available or provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, or if it fails to provide this free of charge, which is contrary to Article 302, paragraph (4) of this Act;
- 10) if in addition to a draft of the contract it fails to provide the consumer with a copy or electronic version of the relevant articles from the applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of other bylaws of the credit institution that may impact the financial position of the consumer and with a short explanation of that impact, or if it fails to provide this free of charge, which is contrary to Article 302, paragraph (5) of this Act;
- 11) if in deposit and lending segment of its consumer operations, as regards services indexed to foreign currency, it fails to apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the euro applicable on the day of the transaction, which is contrary to Article 302, paragraph (6) of this Act.

- 12) if it fails to disclose to consumers its general operating conditions in the Croatian language, which is contrary to Article 303, paragraph (1) of this Act;
- 13) if it fails to disclose to consumers its general operating conditions in an appropriate place in its business premises where it provides services to consumers, which is contrary to Article 303, paragraph (1) of this Act;
- 14) if it fails to disclose amendments to its general operating conditions in the manner referred to in Article 303, paragraphs (1) and (2) of this Act or if it fails to disclose amendments to its general operating conditions at least 15 days before their entry into force, which is contrary to Article 303, paragraph (3) of this Act;
- 15) if it acts contrary to subordinate legislation adopted under Article 304 of this Act;
- 16) if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits in an agreed upon manner, or if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits on an annual basis at a minimum, or if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits free of charge, which is contrary to Article 305, paragraph (1) of this Act;
- 17) if it fails to notify consumers of the amount of their deposits in an agreed upon manner, or if it fails to notify consumers of the amount of their deposits on an annual basis at a minimum, or if it fails to notify consumers of the amount of their deposits free of charge, which is contrary to Article 305, paragraph (1) of this Act;
- 18) if it fails to include in the notification on the amount of credit referred to in Article 305, paragraph (1) of this Act amounts due and payable by the debtor to the credit institution, information as regards the time limit in which the credit institution will send the first and the second collection letter or the warning of a pending cancellation of the credit, which is contrary to Article 305, paragraph (1) of this Act;
- 19) if it fails to deliver the notification on the amount of credit up to the moment of the initiation of the judicial debt recovery proceedings, which is contrary to Article 305, paragraph (1) of this Act;
- 20) if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or guarantor of the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs or if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or guarantor free of charge of the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs, which is contrary to Article 305, paragraph (2) of this Act;
- 21) if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or guarantor of the justification for the items for which collection is sought or if it fails to specify the items that can be increased and the interest rate at which they can be increased, or if it fails to notify the credit user, co-debtor or guarantor free of charge of the justification for the items for which collection is sought, specifying the items that can be increased and the interest rate at which they can be increased, which is contrary to Article 305, paragraph (2) of this Act;
- 22) if, where the consumer – a debtor under a credit contract and the credit institution fail to agree on the repayment scheme within the maximum of two months following the default on repayment, it fails to notify the co-debtor, pledgor or guarantor of the debt balance outstanding, or if it fails to provide the co-debtor, pledgor or guarantor with a period of 15 days of the date of the notification on the debt balance outstanding, sent via registered mail, to settle the obligation in cash, which is contrary to Article 305, paragraph (3) of this Act;

- 23) if it fails to notify the consumer of variable interest rate changes, where variable interest rates have been contracted, in an agreed upon manner at least 15 days before their application or, where interest rates have changed, if it fails to present and explain to the consumer in the same notification the changes of parameters that caused the change in interest rates and, in case of credit contracts, if it fails to provide the consumer with the amended loan amortisation schedule, which is contrary to Article 305, paragraph (4) of this Act;
- 24) if, where the interest rate in a credit contract changes upwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to Article 305, paragraph (5) of this Act;
- 25) if, where the interest rate in a deposit contract changes downwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to Article 305, paragraph (6) of this Act;
- 26) if it fails to make available to the consumer, at the consumer's request, free of charge and at any moment over the duration of the credit contract, a report in the form of the loan amortisation schedule and information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes, which is contrary to Article 305, paragraph (8) of this Act;
- 27) if it fails to notify the consumer at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, of the loan repayment in full or if it fails to notify the consumer of the manner in which to obtain the statement of release and in the case of the rights of third persons who have repaid the loan in part or in full, if it fails to notify the consumer of the rights of such persons and further conditions to obtain the statement of release, or if it fails to notify the consumer on the manner in which to retrieve all other instruments of collateral of the repaid loan or if it fails to notify in the same manner all third persons (guarantors, co-debtors, pledgors, etc.) who have repaid the loan in part or in full, which is contrary to Article 305, paragraph (9) of this Act;
- 28) if it fails to apply the provisions of the law governing consumer lending that govern variable interest rate on credit contracts regardless of the total amount and the type of credit granted to a consumer by the credit institution, which is contrary to Article 306 paragraph (1) of this Act;
- 29) if it offers to contract a variable interest rate without warning the consumer in advance of all risks associated with the variability of the interest rate or if it fails to contract in a clear and unambiguous manner the parameters affecting the change in the contracted interest rate and thereby acts contrary to the provision of Article 307, paragraph (1) of this Act;
- 30) if it concludes a contract on a short-term deposit or a short-term credit with a variable interest rate and thereby acts contrary to the provision of Article 307, paragraph (2) of this Act;
- 31) if it contracts promotional interest rates on services other than short-term and thereby acts contrary to the provision of Article 307, paragraph (3) of this Act;
- 32) if it charges the consumer any charges or fees that were not specified in the Tariff of service fees and charges at the time when the contract was concluded, which is contrary to Article 308, paragraph (1) of this Act;
- 33) if it fails to submit additional data, reports and other bylaws required by the Croatian National Bank in accordance with Article 309, paragraph (3) of this Act within a specified time limit;

34) if it fails to entrust at least one of its employees with the tasks of addressing consumer complaints or if it fails to appoint a person responsible for monitoring the process of consumer complaint management in accordance with Article 309, paragraph (5) of this Act;

35) if it fails to deliver data on consumer complaints in the manner and within the time limits laid down by the Croatian National Bank in accordance with Article 309, paragraph (8) of this Act.

(2) A responsible person of the management board or supervisory board of a G-SII or an O-SII shall be fined between EUR 460.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(3) A credit institution not identified as a G-SII or an O-SII shall be fined between EUR 1,320.00 and up to 3% of total income for any of the misdemeanours referred to in paragraph (1) of this Article.

(4) A responsible person of the management board or supervisory board of a credit institution not identified as a G-SII or an O-SII shall be fined between EUR 130.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(5) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined between EUR 130.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(6) The Croatian National Bank shall deliver to the competent municipal court or another authority with jurisdiction *ratione materiae* a decision identifying whether the credit institution against which misdemeanour proceedings have been initiated is a G-SII or an O-SII, for the year in which the misdemeanour was committed.

### *Misdemeanours due to the failure to finance financial literacy*

#### Article 361c

(1) A credit institution shall be fined between EUR 26,540.00 and EUR 66,360.00 for a misdemeanour if it fails to allocate a portion of its income each year to finance activities aimed at strengthening the financial literacy of the citizens of the Republic of Croatia, which is contrary to Article 311a of this Act.

(2) A responsible person of the credit institution's management board shall also be fined between EUR 2,650.00 and EUR 6,630.00 for the misdemeanours referred to in paragraph (1) of this Article.

### *Breaches by savings banks*

#### Article 362

(1) A savings bank shall be fined up to 10% of total income:

1) if the words 'savings bank' are not contained in its firm name (Article 313, paragraph (2));

2) if it carries out activities contrary to the provisions of Article 315, paragraphs (1) and (2) of this Act;

3) if it establishes a branch or representative office abroad (Article 315, paragraph (3)); or

4) if it has preferential shares in its initial capital contrary to Article 316 of this Act.

(2) A responsible person of the management board of a savings bank shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article.

*Other breaches by the management and supervisory board*

Article 363

(1) Members of a credit institution's management board shall be fined up to EUR 2,650.00:

- 1) if they fail to establish and implement effective and sound governance arrangements in accordance with Article 41, paragraphs (1), (3), (4) and (5) of this Act;
- 2) if they fail to notify the supervisory board without delay of the circumstances referred to in Article 42 of this Act;
- 3) if they fail to deliver reports and information to the Croatian National Bank in the manner and within the time limit referred to in Article 179, paragraph (4) of this Act; or
- 4) if they reached a decision to conclude a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions or reached a decision to conclude a legal arrangement as a result of which the total exposure to a person in a special relationship would exceed EUR 7,000.00 without the unanimous decision of all management board members and prior approval of the supervisory board, which is contrary to Article 146a of this Act.

(2) Members of a credit institution's supervisory board shall be fined up to EUR 2,650.00:

- 1) if they fail to submit an application to the Croatian National Bank for prior approval for the chairperson or member of the management board within the time limit referred to in Article 39, paragraph (12) of this Act;
- 2) if they fail to adopt the decision referred to in Article 44, paragraph (7) of this Act without delay;
- 3) if they fail to give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures or examination of the credit institution and thereby act contrary to Article 49, paragraph (1), item (1) of this Act;
  - 3a) if they fail to give opinions on reports of the Croatian National Bank on examination findings or examination reports from other supervisory authorities within 30 days of receipt and thereby act contrary to Article 49, paragraph (1), item (1) of this Act;
  - 3b) if they fail to oversee the adequacy of procedures and effectiveness of internal audit activities and thereby act contrary to Article 49, paragraph (1), item (2) of this Act;
  - 3c) if they fail to state their opinion on semi-annual internal audit reports and thereby act contrary to Article 49, paragraph (1), item (3) of this Act;
  - 3d) if they fail to oversee the implementation and effectiveness of the credit institution's governance arrangements and thereby act contrary to Article 49, paragraph (1), item (5) of this Act;
  - 3e) if they fail to oversee the implementation of the credit institution's business policy, strategic objectives and strategies and policies for taking up and managing the risks and thereby act contrary to Article 49, paragraph (1), item (6) of this Act;
  - 3f) if they fail to establish and review regularly the basic principles of the remuneration policy and thereby act contrary to Article 49, paragraph (1), item (7) of this Act;

- 3g) if they fail to ensure that remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and the related governance process and thereby act contrary to Article 49, paragraph (1), item (8) of this Act;
- 3b) if they fail to oversee the process of disclosure and communication and thereby act contrary to Article 49, paragraph (1), item (9) of this Act;
- 4) if they fail to notify the Croatian National Bank without delay of the circumstances referred to in Article 49, paragraph (1), item (4) of this Act;
- 5) if they fail to establish committees in accordance with Article 50 of this Act, if supervisory board committees act contrary to Articles 51 to 53 of this Act or if they act contrary to subordinate legislation adopted under Article 101, paragraph (2), item (5) of this Act; or
- 6) if they gave prior approval for the conclusion of a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions and which raised the total exposure to a person in a special relationship above EUR 7,000.00, which is contrary to the provisions of Article 146a of this Act.

### *Breaches by other persons*

#### Article 364

- (1) A legal person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provision of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraph (1) or (2) of this Act shall be fined up to 10% of total income.
- (2) A responsible person of the management board of the legal person shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (1) of this Article.
- (3) A natural person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provision of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraph (1) or (2) of this Act shall be fined up to EUR 13,270.00.
- (4) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (15) or (17) of this Act shall be fined up to 10% of total income.
- (5) A responsible person of the management board of the legal person shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (4) of this Article.
- (6) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (15) or (17) of this Act shall be fined up to EUR 13,270.00.
- (7) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (7) of this Act shall be fined up to 10% of total income.
- (8) A responsible person of the management board of the legal person shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (7) of this Article.



(9) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (7) of this Act shall be fined up to EUR 13,270.00.

(10) Legal persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined up to 3% of total income.

(11) A responsible person of the management board of the legal person shall be fined up to EUR 6,630.00 for breaches referred to in paragraph (10) of this Article.

(12) Natural persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined up to EUR 6,630.00.

(13) An undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 that fails to submit an application for authorisation after any of the conditions referred to in Article 60, paragraph (7) of this Act has occurred, shall be fined up to 10% of total income.

(14) A responsible person of the undertaking shall be fined up to EUR 13,270.00 for the breach referred to in paragraph (13) of this Article.

(15) The legal persons referred to in Article 179, paragraph (2) of this Act who fail to comply with the request of the Croatian National Bank pursuant to Article 179, paragraph (3) of this Act shall be fined up to 10% of total income.

(16) A responsible person of the management board of the legal person shall be fined up to EUR 6,630.00 for breaches referred to in paragraph (13) of this Article.

(17) The natural persons referred to in Article 179, paragraph (2) of this Act who fail to comply with the request of the Croatian National Bank pursuant to Article 179, paragraph (3) of this Act shall be fined up to EUR 6,630.00.

### *Misdemeanours by other persons*

#### Article 364a

(1) A legal person using the words 'credit institution', 'bank', 'savings bank', 'housing savings bank', or derivatives of these words contrary to the provisions of Article 6, Article 313, paragraphs (3) and (4) and Article 319 of this Act shall be fined between EUR 990.00 and up to 10% of total income.

(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 460.00 and EUR 2,650.00.

(3) A legal person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between EUR 9,950.00 and up to 10% of total income.

(4) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (3) of this Article shall be fined between EUR 4,970.00 and EUR 13,270.00.

(5) A natural person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between EUR 4,970.00 and EUR 13,270.00.

*Breaches by members of a group of credit institutions*

Article 365

(1) A fine of up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income shall be imposed on:

1) a parent financial holding company or parent mixed financial holding company which fails to act in accordance with Article 24, paragraph (12) of this Act;

1a) a parent financial holding company or a parent mixed financial holding company which fails to submit an application for authorisation referred to in Article 73a, paragraph (1) of this Act;

1b) a financial holding company or a mixed financial holding company which fails to submit an application to the Croatian National Bank to demonstrate that the conditions referred to in Article 73a, paragraph (6) of this Act have been met, and thereby acts contrary to Article 73a, paragraph (7) of this Act;

1c) a financial holding company or a mixed financial holding company referred to in Article 73a, paragraph (1) or (2) which fails to meet the conditions referred to in Article 73a, paragraph (5) of this Act on an ongoing basis, and thereby acts contrary to Article 73a, paragraph (9) of this Act;

1d) a financial holding company or a mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in Article 73a, paragraph (6) of this Act, which fails to meet those conditions on an ongoing basis, and thereby acts contrary to Article 73a, paragraph (10) of this Act;

1e) a parent financial holding company or a parent mixed financial holding company, which at the request of the Croatian National Bank fails to submit the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in Article 73a, paragraph (12) of this Act;

1f) a parent financial holding company or a parent mixed financial holding company, which contrary to suspension of voting rights arising from the shares of the subsidiary institutions held by the financial holding company or mixed financial holding company, as imposed by the Croatian National Bank in accordance with Article 73a, paragraph (14), sub-paragraph (1) of this Act, votes at the general assembly of a subsidiary;

1g) a financial holding company or a parent mixed financial holding company for which the Croatian National Bank establishes that no longer meets the conditions referred to in Article 73a, paragraph (6) of this Act and which fails to submit the application for authorisation referred to in Article 73a, paragraph (1) or (2) of this Act, and thereby acts contrary to Article 73a, paragraph (17) of this Act;

1h) a parent financial holding company or a parent mixed financial holding company which fails to submit a report or fails to notify the Croatian National Bank of the content, the time limits or the method provided for in subordinate legislation adopted under Article 73a, paragraph (21), subparagraph (2) of this Act;

- 2) an RC parent credit institution or an EU parent credit institution having its head office in the RC which has to comply with prudential requirements on a sub-consolidated basis for a group of credit institutions if it fails to meet any of the requirements referred to in Article 97, paragraphs (1) to (5) of this Act, or the parent financial holding company or parent mixed financial holding company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 97, paragraphs (3) to (6) of this Act;
- 2a) an RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to comply with the provisions on the ratio between the variable and fixed components of total remuneration on a consolidated basis referred to in Article 100a of this Act;
- 2b) an RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to ensure that its subsidiary, on an individual basis, meets the requirements in accordance with the provisions of this Act governing the remuneration policy and variable remuneration or subordinate legislation adopted under Article 100, paragraph (4) of this Act if the conditions referred to in Article 97a, paragraph (3) of this Act are met;
- 3) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to meet its obligations referred to in Article 281, paragraph (1) of this Act to the parent credit institution of the group;
- 4) an RC parent credit institution or an EU parent credit institution having its head office in the RC which fails to ensure that subsidiary members of a group of credit institutions in the RC, the parent mixed financial holding company and the parent financial holding company deliver to it the data relevant for the purposes of consolidation, and thereby acts contrary to Article 281, paragraph (2) of this Act;
- 5) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to enable the Croatian National Bank to exercise supervision of its operations in accordance with Article 281, paragraph (3) of this Act;
- 6) the parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in consolidation of the parent undertaking, which fails to meet its obligations referred to in Article 281, paragraph (4) of this Act;
- 7) persons the parent undertaking of which is an RC parent credit institution, an EU parent credit institution having its head office in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act, which are not included in supervision on a consolidated basis and which fail to meet their obligations referred to in Article 281, paragraph (5) of this Act;
- 8) legal persons who fail to act in accordance with subordinate legislations adopted under Article 290 of this Act;
- 9) a mixed-activity holding company and its subsidiaries which fail to meet their obligations referred to in Article 291, paragraph (1) of this Act;
- 10) an RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to publicly disclose information on the governance and organisation in accordance with Article 167, paragraph (1) or (2) of this Act;
- 11) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which has to comply with prudential requirements on a consolidated basis for a group or sub-group of

credit institutions or the parent financial holding company or parent mixed financial holding company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 11 of Regulation (EU) No 575/2013 on a consolidated basis;

12) a mixed financial holding company or financial holding company if it acts contrary to the decision of the Croatian National Bank adopted by the Croatian National Bank in close cooperation in accordance with the instructions, general guidelines, requests or measures of the European Central Bank.

(2) A responsible person of the management board of the legal person shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (1) of this Article.

### *Misdemeanours by audit firms and certified auditors*

#### Article 366

(1) An audit firm shall be fined between EUR 9,950.00 and EUR 66,360.00:

1) if it fails to deliver an audit plan to the Croatian National Bank within the time limit and in the manner prescribed in Article 169, paragraph (3) of this Act;

2) if it fails to notify and explain to the Croatian National Bank the termination of a contract with a credit institution in accordance with Article 171, paragraph (1) of this Act;

3) if it fails to meet its obligations referred to in Article 172 of this Act or Article 12, paragraph (1) of Regulation (EU) No 537/2014; or

4) if it fails to carry out an audit for the purposes of the Croatian National Bank in accordance with Article 174 of this Act and the regulations adopted under paragraph (6) of the same Article.

(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 4,970.00 and EUR 13,270.00.

(3) A certified auditor shall be fined between EUR 990.00 and EUR 6,630.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

### *Misdemeanours related to the obligation of banking secrecy*

#### Article 367

(1) A credit institution that breaches the provisions of Article 156, paragraph (1) or Article 157, paragraph (1), (2) or (5) of this Act on the obligation of banking secrecy shall be fined between EUR 49,770.00 and EUR 132,720.00.

(2) A responsible person of the credit institution's management board shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(3) A legal person shall be fined between EUR 49,770.00 and EUR 132,720.00 and the responsible person of that legal person shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (5) of this Act.

(4) A natural person shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (5) of this Act.

(5) The legal person referred to in Article 158, paragraph (1) of this Act who breaches the provisions of this Act on the obligation of banking secrecy shall be fined between EUR 49,770.00 and EUR 132,720.00.

(6) A responsible person of the legal person referred to in Article 158, paragraph (1) of this Act shall be fined between EUR 2,380.00 and EUR 13,270.00 for the misdemeanour referred to in paragraph (5) of this Article.

(7) The natural person referred to in Article 158, paragraph (2) of this Act who breaches the provisions of Article 156, paragraph (1) of this Act on the obligation of banking secrecy shall be fined between EUR 2,380.00 and EUR 13,270.00.

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## **XXXI TRANSITIONAL AND FINAL PROVISIONS**

*(Official Gazette 159/2013)*

### **XXXI.1 PROVISIONS ON THE POWERS OF THE CROATIAN NATIONAL BANK WITH REGARD TO CREDIT INSTITUTIONS PROVIDING SERVICES IN THE REPUBLIC OF CROATIA THROUGH BRANCHES OR DIRECTLY UNTIL THE DATE ON WHICH THE LIQUIDITY COVERAGE REQUIREMENT BECOMES APPLICABLE IN ACCORDANCE WITH A DELEGATED ACT**

*Application of other provisions of this Act and other regulations to credit institutions of other Member States*

#### **Article 368**

(1) The following shall apply *mutatis mutandis* to credit institutions of other Member States providing mutually recognised services directly within the territory of the Republic of Croatia:

- 1) provisions of this Act relating to the obligation of banking secrecy (Articles 156 and 157);
- 2) provisions of this Act and regulations adopted under this Act relating to consumer protection (Articles 300 to 312);
- 3) regulations in the Republic of Croatia governing the prevention of money laundering and terrorist financing;
- 4) other regulations which, in the interests of the general good, apply within the territory of the Republic of Croatia; and
- 5) regulations in the Republic of Croatia governing the implementation of monetary policy.

(2) In addition to the provisions of the preceding paragraph, the following shall apply *mutatis mutandis* to credit institutions of other Member States providing mutually recognised services within the territory of the Republic of Croatia through branches:

- 1) provisions of regulations adopted under this Act relating to reports and information required for performing activities within the competence of the Croatian National Bank in the field of monitoring liquidity risk (Article 101, paragraph (2), item (1));
- 2) regulations adopted by the Croatian National Bank for the purposes of monetary statistics;
- 3) regulations relating to the scope of data to be published by branches of credit institutions of the Member States;
- 4) provisions of Article 163, paragraphs (5) and (6) of this Act on audited annual financial statements; and

5) provisions of Article 200 of this Act and regulations adopted under that Article on annual supervision fees.

(3) The Croatian National Bank shall be empowered to use the information collected pursuant to paragraphs (1) and (2) of this Article for statistical purposes.

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the manner of application of the provisions of paragraphs (1) and (2) of this Article.

### *Breaches of regulations of Member States*

#### Article 369

(1) Where a credit institution having its head office in the Republic of Croatia and providing services in another Member State through a branch breaches regulations of that Member State despite a warning of the competent or supervisory authority of the host Member State, the Croatian National Bank shall impose supervisory measures in accordance with this Act and shall notify that authority without delay.

(2) Where a credit institution having its head office in the Republic of Croatia operates directly or through a branch within the territory of another Member State, the Croatian National Bank or persons it has authorised may carry out an on-site inspection after notifying in advance the competent supervisory authority of the host Member State.

(3) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

### *Breaches of individual provisions of this Act by credit institutions of other Member States*

#### Article 370

(1) Where the Croatian National Bank establishes that a credit institution of another Member State which provides services in the Republic of Croatia is not complying with the provisions of Article 368 of this Act, it shall impose supervisory measures on that credit institution and establish the time limits to remedy the non-compliance.

(2) If the credit institution fails to remedy the non-compliance within the time limit referred to in paragraph (1) of this Article and fails to deliver evidence of its remedy, the Croatian National Bank shall notify the competent authority of the home Member State accordingly.

(3) Where the competent authority of the home Member State fails to take any measures or if such measures are inadequate or unenforceable so that the credit institution persists in breaching the provisions of Article 368 of this Act, the Croatian National Bank shall notify the competent authority of the home Member State of measures it shall take to prevent further breaches of these provisions.

(4) Following the delivery of the notification referred to in the preceding paragraph to the competent authority of the home Member State, the Croatian National Bank may impose measures on a credit institution which breaches the provisions of Article 368 of this Act within the territory of the Republic of Croatia, including the prohibition on providing services within the territory of the Republic of Croatia.

### *Notification of precautionary measures*

#### Article 371

By way of derogation from the provisions of Article 370 of this Act, when the Croatian National Bank, in emergency situations, assesses that the interests of depositors, investors and other clients of the credit institution of another Member State which provides services within the territory of the Republic of Croatia are threatened or might be threatened, it shall take precautionary measures against that credit institution. The Croatian National Bank shall without delay notify the competent authorities of the home Member State in question, the European Banking Authority and the European Commission of precautionary measures taken.

### *Supervision of the liquidity of branches of credit institutions of other Member States*

#### Article 372

(1) The Croatian National Bank shall exercise supervision of the liquidity of branches of credit institutions of other Member States and impose measures necessary for the implementation of monetary policy of the Republic of Croatia.

(2) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

(3) When imposing measures referred to in paragraph (1) of this Article, the Croatian National Bank shall not apply discriminatory or restrictive treatment against branches of credit institutions of other Member States based on the fact that a credit institution is authorised in another Member State.

### *Impact of decisions and actions on the stability of the financial system of the Member States*

#### Article 373

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.

### *Cooperation and exchange of information between the Croatian National Bank and the competent authorities of the Member States*

#### Article 374

(1) The Croatian National Bank and the competent authorities of other Member States shall cooperate in the supervision of credit institutions which, directly or through a branch, provide services within the territory of the Republic of Croatia and the territory of the Member State in question.

(2) The Croatian National Bank and the competent authorities of the Member States, in addition to other reporting obligations under this Act, shall exchange all information concerning:

1) the management and ownership of credit institutions referred to in paragraph (1) of this Article that is likely to facilitate their supervision;

2) the examination of the conditions governing the issue of authorisations or approvals of other supervisory authorities; and

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

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

Article 375

(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 from that Member State 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 the credit institution in terms of deposits as defined in the law governing deposit insurance exceeds 2% in the Republic of Croatia;

2) the likely impact of a suspension or closure of the operations of the credit institution on systemic market liquidity and the payment, 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) 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 on whether the branch is significant. 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.

(5) The decisions referred to in paragraphs (3) and (4) of this Article shall be recognised as determinative, they must be written and fully reasoned, and delivered to the competent authorities concerned.

(6) The adoption of the decisions referred to in paragraphs (3) and (4) of this Article shall not affect the responsibilities of the other 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 376



- (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) Where a college of supervisors referred to in Article 283 of this Act has not been established and a credit institution having its head 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 and exchange of information.
- (3) The establishment and functioning of the college referred to in paragraph (2) of this Article shall be based on written arrangements determined, after consulting the 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.
- (4) 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.
- (5) The decision referred to in paragraph (1) of this Article must be written and fully reasoned, and delivered to the competent authorities concerned.
- (6) 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.
- (7) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the information referred to in Article 288, paragraph (5), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 282, paragraph (1), item (3) of this Act in cooperation with the competent authorities of the host Member State.
- (8) Where an emergency situation arises within the credit institution referred to in paragraph (1) of this Article, the Croatian National Bank shall without delay notify the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act.

### *Powers to supervise the operation of branches*

#### Article 377

- (1) Where a credit institution having its head office in another Member State operates through a branch within the territory of the Republic of Croatia, the competent authority of the home Member State may:
  - 1) carry out an on-site inspection of the information referred to in Article 374, paragraph (2) of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank in advance; or
  - 2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out an on-site inspection of the branch of a credit institution of that Member State within 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 on-site inspections of credit institutions of other Member States concerning the implementation of regulations in accordance with Article 368, paragraph (2) of this Act.

## XXXI.2 OTHER TRANSITIONAL AND FINAL PROVISIONS

### *Authorisations and approvals in force*

#### Article 378

Authorisations and approvals issued before the entry into force of this Act shall remain in force.

### *Procedures*

#### Article 379

All authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the laws in force up to the date of the entry into force of this Act.

### *Beginning of the application of a countercyclical capital buffer*

#### Article 380

(1) In the period from 1 January 2015 to 31 December 2018, credit institutions shall calculate a countercyclical capital buffer in accordance with Articles 118 to 128 of this Act only based on exposures located in the Republic of Croatia and other Member States which apply countercyclical capital buffers in that period and for which the Croatian National Bank adopts a decision to recognise that transitional period of application of the countercyclical capital buffer requirement.

(2) The Croatian National Bank may adopt a decision to recognise the transitional period of application of a countercyclical capital buffer requirement specified by the designated authority of another Member State which ends before 31 December 2018.

(3) If the Croatian National Bank recognises the transitional period of application of a countercyclical capital buffer requirement referred to in paragraph (2) of this Article, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the relevant college of supervisors.

### *Procedure for setting a structural systemic risk buffer in the transitional period*

#### Article 381

(1) Where in the period from 1 January 2014 to 31 December 2014 the Croatian National Bank sets or resets a structural systemic risk buffer rate up to 3% of the total risk exposure amount, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned at least one month before it publishes a decision in accordance with Article 382 of this Act. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.

(2) The notification referred to in paragraph (1) of this Article shall describe in detail:

- 1) the systemic or macroprudential risk in the Republic of Croatia;
  - 2) the reasons why the dimension of the systemic or macroprudential risks threatens the stability of the financial system in the Republic of Croatia justifying the structural systemic risk buffer rate;
  - 3) the justification for why the Croatian National Bank considers the proposed structural systemic risk buffer likely to be effective and proportionate to mitigate the risk;
  - 4) an assessment of the likely positive or negative impact of the structural systemic risk buffer on the internal market, based on information which is available;
  - 5) the justification for why none of the existing measures in this Act or in Regulation (EU) No 575/2013, excluding Articles 458 and 459 of that Regulation, alone or in combination, would be sufficient to address the identified macroprudential or systemic risk taking into account the relative effectiveness of those measures; and
  - 6) the systemic risk buffer rate that the Croatian National Bank intends to prescribe.
- (3) Where in the period from 1 January 2014 to 31 December 2014 the Croatian National Bank intends to set or reset a structural systemic risk buffer rate of above 3% of the total risk exposure amount, it shall notify in advance the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.
- (4) The notification referred to in paragraph (3) of this Article must contain all information referred to in paragraph (2) of this Article.
- (5) The Croatian National Bank may apply the rate referred to in paragraph (3) of this Article only after the European Commission adopts an implementing act authorising the implementation of that rate.

### *Announcement of a structural systemic risk buffer*

#### Article 382

- (1) After meeting the requirements for the application of a structural systemic risk buffer in accordance with Article 381 of this Act, the Croatian National Bank shall publish a decision on the application of the structural systemic risk buffer in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:
- 1) the structural systemic risk buffer rate;
  - 2) the credit institutions to which the structural systemic risk buffer applies;
  - 3) a justification for the structural systemic risk buffer, except in cases where it could jeopardise the stability of the financial system;
  - 4) the date from which the credit institutions must apply the structural systemic risk buffer; and
  - 5) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.
- (2) The decision referred to in paragraph (1) of this Article shall contain the information referred to in paragraph (1), items (1), (2), (4) and (5) of this Article.

### *G-SII buffer in the transitional period*

#### Article 383

G-SIIs shall comply with the obligation referred to in Article 135, paragraph (4) of this Act from 1 January 2016 to 31 December 2018 as follows:

- 1) in the period from 1 January 2016 to 31 December 2016, in the amount equal to 25% of the rate prescribed in Article 136, paragraph (4) of this Act;
- 2) in the period from 1 January 2017 to 31 December 2017, in the amount equal to 50% of the rate prescribed in Article 136, paragraph (4) of this Act; and
- 3) in the period from 1 January 2018 to 31 December 2018, in the amount equal to 75% of the rate prescribed in Article 136, paragraph (4) of this Act.

### *Public disclosure of decisions*

#### Article 384

Decisions which shall be legally effective after the entry into force of this Act shall be publicly disclosed in accordance with Article 215, paragraph (4) of this Act.

### *Time limits for the adoption of subordinate legislation and adjustment of decisions*

#### Article 385

(1) Within six months of the entry into force of this Act, the Croatian National Bank shall adopt subordinate legislation referred to in Article 38, paragraph (3), Article 45, paragraph (5), Article 92, paragraph (3), Article 113, paragraph (4), Article 140, paragraph (6), Article 173, paragraph (5) and Article 175, paragraph (3) of this Act on the basis of this Act and Regulation (EU) No 575/2013.

(2) Within six months of the entry into force of this Act, the Croatian National Bank shall adjust decisions imposing supervisory measures referred to in Article 236 or 237 of the Credit Institutions Act (Official Gazette 117/2008, 74/2009, 153/2009, 108/2012 and 54/2013) with the provisions of this Act and Regulation (EU) No 575/2013.

### *Duties of credit institutions*

#### Article 386

(1) The last reports under the Decision on reports on own funds and capital requirements of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) shall be completed as at 31 December 2013 and delivered by credit institutions to the Croatian National Bank as follows:

- 1) non-consolidated unaudited preliminary reports ('NP') by 31 January 2014 at the latest;
- 2) non-consolidated audited reports ('NR') within 15 days of receipt of the audit report and by 30 April 2014 at the latest; and
- 3) consolidated audited reports ('KR') within 15 days of receipt of the audit report and by 30 April 2014 at the latest.

(2) Credit institutions shall make a public disclosure as at 31 December 2013 in accordance with the Decision on public disclosure of compliance with prudential requirements by credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013) by 31 May 2014 at the latest.

(3) Credit institutions shall carry out an assessment of the suitability of supervisory board members who have taken up office or will take up office up to 30 June 2014 in accordance with this Act and submit an application for prior approval to perform the function of a member of a credit institution's supervisory board by 30 June 2014 at the latest.

(4) Credit institutions shall establish supervisory board committees in accordance with Articles 51, 52 and 53 of this Act by 30 June 2014 at the latest.

(5) By 1 July 2014, all credit institutions which are identified internationally as G-SIIs shall submit to the European Commission the information referred to in Article 164, paragraph (1), items (4) to (6) of this Act on a confidential basis.

*Provisions of this Act that shall cease to have effect on the date on which the liquidity coverage requirement becomes applicable in accordance with a delegated act*

#### Article 387

Articles 368 to 377 of this Act shall cease to have effect on the date of application of the delegated act referred to in Article 460 of Regulation (EU) No 575/2013 in relation to the application of the liquidity coverage requirement.

#### *Application of current subordinate legislation*

#### Article 388

Up to the date of the entry into force of regulations adopted under this Act or Regulation (EU) No 575/2013, the following regulations shall remain in force and be applied in the part not in conflict with Regulation (EU) No 575/2013 and this Act:

- Decision on the effective interest rate of credit institutions and credit unions and on service contracts with consumers;
- Decision on outsourcing;
- Decision on the classification of placements and off-balance sheet liabilities of credit institutions;
- Decision on the chart of accounts for banks;
- Decision on the sale of placements by credit institutions;
- Decision on the method of exercising supervision of credit institutions and imposing supervisory measures;
- Decision on supervisory reports of credit institutions;
- Decision on supervision fees for credit institutions in 2014;
- Decision on the obligation to make provisions for litigations conducted against a credit institution;
- Decision on foreign exchange risk exposure limits of credit institutions;

- Decision on limits on credit institutions' holdings in non-financial institutions and holdings of tangible assets;
- Decision on detailed conditions for the establishment, operation and dissolution of branches of third-country credit institutions in the Republic of Croatia;
- Decision on the internal capital adequacy assessment process for credit institutions;
- Decision on representative offices of credit institutions with head offices outside the Republic of Croatia;
- Decision on staff remuneration;
- Decision on the application of provisions of laws and other regulations within the competence of the Croatian National Bank to credit institutions undergoing winding-up proceedings;
- Decision on adequate information system management;
- Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution;
- Decision on the content of and the form in which consumers are provided information prior to contracting banking services;
- Decision on the contents of audits of credit institutions;
- Decision on statistical and prudential reporting;
- Decision on the structure and content of annual financial statements of banks;
- Decision on the internal controls system;
- Decision on the management of interest rate risk in the non-trading book;
- Decision on liquidity risk management;
- Decision on risk management; and
- Decision on large exposures of credit institutions.

*Regulations that shall cease to have effect*

Article 389

The following regulations shall cease to have effect on the date of the entry into force of this Act:

- 1) the Credit Institutions Act (Official Gazette 117/2008, 74/2009, 153/2009, 108/2012 and 54/2013);
- 2) the Decision on the capital adequacy of credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013);
- 3) the Decision on reports on own funds and capital requirements of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012);
- 4) the Decision on own funds of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 118/2011);
- 5) the Decision on public disclosure of compliance with prudential requirements by credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013); and

6) the Decision on the supervision of a group of credit institutions on a consolidated basis (Official Gazette 1/2009, 75/2009, 2/2010 and 67/2013).

### *Entry into force*

#### Article 390

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2014, with the exception of the provisions of:

- Articles 191, 192, 194 to 198 and 202 to 205 of this Act, which shall enter into force on the date of application of the delegated act referred to in Article 387 of this Act;
- Article 189 of this Act, which shall enter into force on the date of application of the technical standards on the benchmark portfolio referred to in Article 78, paragraph (8) of Directive 2013/36/EU;
- Articles 118 to 125, Article 126, paragraphs (1) and (2), Articles 127, 128 and 132, and Article 164, paragraph (1), items (4), (5) and (6) of this Act, which shall enter into force on 1 January 2015; and
- Articles 135 to 138 of this Act, which shall enter into force on 1 January 2016.

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## **TRANSITIONAL AND FINAL PROVISIONS**

### ***(Official Gazette 19/2015)***

#### *Transitional provisions concerning recovery plans*

#### Article 152

(1) The recovery plans that credit institutions are required to submit to the Croatian National Bank until 31 December 2014 shall be subject to the provisions of Article 53 of this Act which added Article 154a of the Act.

(2) Until the decision to draw up a recovery plan referred to in Article 53 of this Act which added Article 154c of the Act is reached, a credit institution with a head office in the Republic of Croatia which is a member of a group of credit institutions in the EU shall update the existing recovery plan and where necessary draw up a new one and deliver it to the Croatian National Bank:

- 1) on an individual basis where it is not a part of a group of credit institutions in the RC; or
- 2) on a sub-consolidated basis if it is an RC parent credit institution.

(3) Until the decision to draw up a recovery plan referred to in Article 53 of this Act which added Article 154c of the Act is reached, the recovery plan referred to in paragraph (2) of that Article shall be subject to the provisions of Article 53 of this Act which added Article 154a of the Act.

#### *Transitional provisions concerning exposures to persons in a special relationship with a credit institution*

#### Article 153

The Croatian National Bank may impose on a credit institution the supervisory measure referred to in Article 80 of this Act in the part amending Article 224, paragraph (1), item (20) of the Act where the credit institution contracted the exposures to persons referred to in Article 146 of the Act contrary to the provisions of that Act.

#### *Transitional period in relation to the list of financial contracts*

#### Article 154

A credit institution shall prepare a list of all financial contracts referred to in Article 52 of this Act in the part amending Article 154, paragraph (13) of the Act, within six months of the entry into force of this Act.

#### *Transitional provisions relating to contracts with the management board*

#### Article 155

The provisions of Article 13 of this Act in the part amending Article 37, paragraph (2) of the Act shall not apply to contracts concluded prior to the entry into force of this Act.

#### *Transitional provisions concerning compulsory winding-up and bankruptcy proceedings and bankruptcy proceedings in progress*

#### Article 156

(1) By way of derogation from Article 106 of this Act which amended Article 255 of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority may reach a decision to initiate the compulsory winding-up against a credit institution regardless whether the conditions relating to the resolution plan are met.

(2) By way of derogation from Article 113 of this Act which amended Article 262b of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority shall act in accordance with the said Article regardless whether the conditions relating to the resolution plan are met.

(3) By way of derogation from Article 114 of this Act which amended Article 265 of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority may submit a proposal to open bankruptcy proceedings against a credit institution regardless whether the conditions relating to the resolution plan are met.

(4) By way of derogation from Article 115 of this Act which amended Articles 265a and 265b of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the group-level resolution authority shall act in accordance with the said Articles regardless whether the conditions relating to the resolution plan are met.

(5) All proceedings in which a request to open bankruptcy proceedings was submitted prior to the entry into force of this Act, and the decision on the opening of bankruptcy proceedings was



not issued until the date of the entry into force of this Act, shall be completed pursuant to the provisions of the Act in force at the time when the request was submitted.

(6) All bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force at the time when the decision on the opening of bankruptcy proceedings was adopted.

*Transitional provisions concerning loans in CHF and kuna loans indexed to CHF*

Article 157

(1) In relation to credit contracts of natural persons who perform the activity of freelancers, craftsmen, sole traders and family farm holders contracted in CHF or in kuna but indexed to CHF, for annuity payments or regularly repaid instalments, the CHF exchange rate against the kuna shall be set at HRK 6.39 for one CHF for the period of one year from the entry into force of this Act.

(2) The difference in the amount of annuity or instalment arising from the application of the exchange rate referred to in paragraph (1) of this Article relative to the exchange rate formed freely at the market of foreign means of payment by supply and demand shall be the cost of the credit institution.

(3) The provisions of paragraphs (1) and (2) of this Article shall be applied to credit contracts in CHF or in kuna but indexed to CHF concluded prior to the entry into force of this Act regardless of the total amount and type of credit.

*Time limits for the adoption of subordinate legislation*

Article 158

(1) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 47 of this Act in the part which added Article 146c of the Act within six months of the entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 77 of this Act in the part which added Article 216f, paragraph (3) of the Act and Article 88 of this Act in the part which amended Article 235, paragraph (2) of the Act within three years of the entry into force of this Act.

*Entry into force*

Article 159

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 117 of this Act in the part which amended Article 267, paragraph (7) of the Act, which shall enter into force on 1 January 2016.

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**TRANSITIONAL AND FINAL PROVISIONS**

*(Official Gazette 102/2015)*

This Act shall be published in the Official Gazette and shall enter into force on 30 September 2015.

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## TRANSITIONAL AND FINAL PROVISIONS

*(Official Gazette 15/2018)*

### Article 152

(1) In the entire text of the Credit Institutions Act the Croatian word translated as 'web' is replaced by another Croatian word, with no relevance to the English translation.

(2) In the entire text of the Credit Institutions Act the words 'infringed protected value' are replaced by the words 'total income'. are replaced by the words 'total income'.

### *Proceedings in process*

### Article 153

(1) Authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(2) Applications for authorisation and approval submitted before the entry into force of subordinate legislation adopted under this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(3) Bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force on the date of the adoption of the decision on the opening of bankruptcy proceedings.

(4) Proceedings in which a request to open bankruptcy proceedings was submitted prior to the entry into force of this Act, and the decision on the opening of bankruptcy proceedings was not issued until the date of the entry into force of this Act, shall be completed pursuant to the provisions of the Act in force on the date of submission of the request to open bankruptcy proceedings.

(5) In misdemeanour proceedings started before the entry into force of this Act, G-SIIs and O-SIIs shall be credit institutions whose assets exceed HRK 7 billion in the year when the misdemeanour was committed.

(6) Credit institutions which are undergoing voluntary winding-up proceedings on the date of the entry into force of this Act shall within one year of the entry into force of this Act close voluntary winding-up proceedings, apply for the removal of the undertaking from the register of companies and submit evidence thereof to the Croatian National Bank.

(7) By way of derogation from paragraph (6) of this Article, credit institutions that deem they will not be able to close voluntary winding-up proceedings and apply for removal from the register of companies within one year of the entry into force of this Act shall deliver to the Croatian National Bank:

1) a winding-up plan in the scope appropriate to the stage of the winding-up;

- 2) a decision of the general assembly on the dissolution of the undertaking;
  - 3) a notification of the invitation to creditors;
  - 4) a report on the status of the undertaking; and
  - 5) a decision of the general assembly on the adoption of the audited initial liquidation financial statements.
- (8) The Croatian National Bank shall not adopt a decision referred to in Article 118 of this Act amending Article 250 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) on the delivered winding-up plan referred to in paragraph (7) of this Article.
- (9) The Croatian National Bank may adopt a decision to initiate compulsory winding-up if:
- 1) the credit institution referred to in paragraph (6) of this Article fails to complete voluntary winding-up proceedings and fails to apply for the removal from the register of companies within the time limit referred to in paragraph (6) of this Article; or
  - 2) the credit institution referred to in paragraph (6) of this Article fails to deliver the documents listed in paragraph (7) of this Article within the time limit referred to in paragraph (6) of this Article;
  - 3) the Croatian National Bank assesses pursuant to the delivered documents referred to in paragraph (7) of this Article that the voluntary winding-up referred to in paragraph (6) of this Article might be detrimental to the rights of creditors or determines the existence of any of the reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan.
- (10) The provisions of Title XX.2 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) governing compulsory winding-up of a credit institution shall apply *mutatis mutandis* in cases referred to in paragraph (9) of this Article.

### *Time limits for compliance with the provisions of this Act*

#### Article 154

- (1) Credit institutions which on the date of the entry into force of this Act provide the services referred to in Article 5 of this Act by which item (4) is added to Article 8, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) governing compulsory winding-up of a credit institution shall apply *mutatis mutandis* in cases 159/2013, 19/2015 and 102/2015) shall within one year of the entry into force of this Act obtain authorisation of the Croatian National Bank to provide these additional financial services.
- (2) The provisions of Article 139 of this Act by which paragraph (9) is added to Article 305 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) shall apply to all loans in repayment on the date of the entry into force of this Act.
- (3) For loans that were repaid in full within the period of ten years prior to the entry into force of this Act and for which the credit institution failed to provide a statement of release and return to the consumer all instruments of collateral for the repaid loan, the credit institution shall within two years of the entry into force of this Act, free of charge, in writing, notify the consumer of the manner in which to obtain the statement of release and in case of the rights of third persons who have repaid the loan in part or in full, of the rights of such persons and further conditions to obtain the statement of release, as well as of the manner in which to retrieve any instruments of collateral for the repaid loan. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who repaid the loan in part or in full.

(4) Regardless of the credit institution's obligation referred to in paragraph (3) of this Article, the credit institution shall without delay provide to the consumer, at the consumer's request, the statement of release and return all available instruments of collateral for all loans repaid in full. Exceptionally, in case of the rights of third persons who repaid the loan in part or in full, the credit institution shall act in accordance with paragraph (3) of this Article.

#### *Time limits for the adoption of subordinate legislation*

##### Article 155

(1) The Croatian National Bank shall disclose the important elements of the methodology referred to in Article 59 of this Act within 12 months of the entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 8, 13, 19, 22, 29, 48, 49, 61, 62, 85 and 118 of this Act within 12 months of the entry into force of this Act.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 35, 76, 116 and 138 of this Act within three years of the entry into force of this Act.

#### *Entry into force*

##### Article 156

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 135 of this Act in the part relating to Article 301, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015), which shall enter into force on 1 July 2018.

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## **TRANSITIONAL AND FINAL PROVISIONS**

### ***(Official Gazette 70/2019)***

#### *Provisions of this Act that shall cease to have effect*

##### Article 4

(1) On the date of application of the Decision on close cooperation published in the Official Journal of the European Union Article 3 of this Act shall cease to apply in the part adding Article 11b.

(2) As of the date of termination of close operation in accordance with Article 7 of Regulation (EU) No 1024/2013 or as of the date on which the derogation pursuant to Article 139 of the Treaty on the Functioning of the European Union is abrogated in respect to the Republic of Croatia in accordance with Article 140, paragraph (2) of the Treaty on the Functioning of the European Union, the provisions of Article 3 of this Act shall cease to apply in the part adding Article 11a.

#### *Entry into force*

## Article 5

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 3 of this Act in the part adding Article 11a, which shall enter into force on the date of application of the Decision on close cooperation published in the Official Journal of the European Union.

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## **TRANSITIONAL AND FINAL PROVISIONS**

### ***(Official Gazette 47/2020)***

#### *Completion of misdemeanour proceedings*

##### Article 76

- (1) Misdemeanour proceedings initiated before the entry into force of Article 66 of this Act shall be completed pursuant to the provisions of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019).
- (2) Misdemeanours committed up to the date of the entry into force of Article 66 of this Act shall be subject to the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019).
- (3) All authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the laws in force up to the date of the entry into force of this Act.

#### *Exchange of information for the purpose of assessing creditworthiness and managing credit risk*

##### Article 77

- (1) Article 321, paragraphs (2) to (5) as amended by Article 61 of this Act shall apply to information and personal data available to the credit institution referred to in Article 321, paragraph (2) as amended by Article 61 of this Act on the date of the entry into force of this Act.
- (2) The credit institutions referred to in Article 321, paragraph (2) as amended by Article 61 of this Act shall within three months of the entry into force of this Act undertake all preparations for the exchange of information in accordance with Article 61 of this Act.

#### *Beginning of the calculation and publication of the national reference rate*

##### Article 78

The Croatian National Bank shall calculate the NRR starting from the NRR for the first quarter of 2020 and shall publish the NRR for the first time on its website in May 2020 in accordance with the established release calendar.

## *Entry into force*

### Article 79

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 1 of this Act, Articles 6 to 11 of this Act, Article 39, paragraphs (14) and (15) as amended by Article 13 of this Act, Article 14 of this Act, Article 44, paragraph (8) as amended by Article 15 of this Act, Article 46, paragraphs (12) and (13) as amended by Article 17 of this Act, Article 47, paragraph (5) as amended by Article 18 of this Act, Articles 19 to 22 of this Act, Article 68, paragraph (3) as amended by Article 23 of this Act, Article 24 of this Act, Article 70, paragraph (7) as amended by Article 25 of this Act, Articles 26 and 27 of this Act, Articles 34 to 38 of this Act, Article 41 of this Act, Article 157, paragraph (3), item (25) as amended by Article 42 of this Act, Articles 43, 44, 45 and 47 of this Act, Articles 48 to 51 of this Act, Article 235a, paragraphs (4) and (5) as amended by Article 53 of this Act, Articles 54 to 57 of this Act, Article 64 of this Act, Articles 66 to 74 of this Act, which shall enter into force on the date of implementation of the close cooperation between the European Central Bank and the Croatian National Bank in accordance with a decision adopted by the European Central Bank on the establishment of a close cooperation referred to in Article 7, paragraph (2) of Council Regulation (EU) No 1024/2013, which shall be published in the Official Journal of the European Union.

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## **TRANSITIONAL AND FINAL PROVISIONS**

### ***(Official Gazette 146/2020)***

#### *Compliance with the law governing deposit insurance*

##### Article 132

In the entire text of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019 and 47/2019) the name 'State Agency for Deposit Insurance and Bank Resolution' in various grammatical cases is replaced by the name 'Croatian Agency for Deposit Insurance' in the appropriate grammatical case.

#### *Compliance with the provisions of this Act*

##### Article 133

(1) A credit institution having its head office in the Republic of Croatia which is a member of a third-country group operating through more than one institution in the EU and with a total value of assets equal to or greater than EUR 40 billion on 27 June 2019 shall have an intermediate EU parent undertaking or, if Article 73e, paragraph (2) applies which is inserted by Article 28 of this Act, two intermediate EU parent undertakings by 30 December 2023.

(2) Financial holding companies or mixed financial holding companies referred to in Article 73a which is inserted by Article 28 of this Act, already existing on 27 June 2019 shall apply to

the Croatian National Bank for authorisation in accordance with Article 73a which is inserted by Article 28 of this Act, by 28 June 2021.

(3) If a financial holding company or a mixed financial holding company fails to apply for authorisation referred to in paragraph (2) of this Article by 28 June 2021, the Croatian National Bank shall take appropriate measures in accordance with the provisions of Article 73a, paragraph (14) which is inserted by Article 28 of this Act.

(4) For the purposes of consolidated supervision during the transitional period referred to in paragraph (2) of this Article, the Croatian National Bank shall have all the necessary supervisory powers conferred on it by Article 73a which is inserted by article 28 of this Act.

(5) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 that on 24 December 2019 carry out activities as investment firms authorised under the act governing the capital market or the act governing alternative investment funds or if a regulation of another Member State was applied governing the financial instruments market, shall apply to the Croatian National Bank for authorisation in accordance with Article 23 of this Act by 31 December 2020.

### *Application of current subordinate legislation*

#### Article 134

Up to the date of the entry into force of regulations adopted under this Act, the following legislation shall remain in force:

- 1) Decision on the countercyclical buffer rate (Official Gazette 9/2015);
- 2) Decision on the application of the structural systemic risk buffer (Official Gazette 78/2017);
- 3) Decision on staff remuneration (Official Gazette 31/2017 and 57/2017);
- 4) Decision on remuneration policies and practices related to the provision of banking products and/or services to consumers (Official Gazette 106/2018).

### *Time limits for the adoption of subordinate legislation*

#### Article 135

The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 28, 35, 43, 45 and 56 of this Act within 24 months of the entry into force of this Act.

### *Entry into force*

#### Article 136

This Act shall be published in the Official Gazette and shall enter into force on 29 December 2020, with the exception of the provisions of:

- Article 69, paragraphs (2) and (4), amended by Article 26 of this Act, which shall enter into force on the date of the entry into force of the new law governing the resolution of credit institutions and investment firms;
- Articles 27 and 132 of this Act, which shall enter into force on the date of the entry into force of the new law governing deposit insurance;

- Articles 25, 31, 32, 66 and 76 of this Act, Article 206, paragraph (3), item (2), amended by Article 78 of this Act, Article 208, paragraph (1), items (3) and (4), amended by Article 79 of this Act, Article 209, paragraph (1), item (1), amended by Article 80 of this Act, Articles 92, 95 to 101 of this Act, Article 323, paragraph (2), amended by Article 111 of this Act and Article 115 of this Act, which shall enter into force on the date of the entry into force of the law governing compulsory winding up of credit institutions;
  - Articles 38 and 73 of this Act and Article 224, paragraphs (3), (4) and (5), amended by Article 87 of this Act, which shall enter into force on 28 June 2021; and
  - Article 140, paragraphs (6) to (9), inserted by Article 56 of this Act, Article 140b, inserted by Article 57 of this Act and Article 58 of this Act, which shall enter into force on 1 January 2023.
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## **TRANSITIONAL AND FINAL PROVISIONS**

***(Official Gazette 151/2022)***

*Position of authorised credit institutions and ongoing procedures*

### Article 100

- (1) Credit institutions entered in the register of companies on the day of entry into force of this Act and authorised to provide banking and financial services and branches of credit institutions from other member states providing in the Republic of Croatia mutually recognised services that are entered in the register of companies shall continue to operate based on the granted authorisation and entry in the register of companies.
- (2) Other authorisations and approvals issued before the entry into force of this Act shall remain in force.
- (3) All authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the procedural provisions of this Act.
- (4) All supervisory and other procedures initiated before the entry into force of this Act shall be completed in accordance with the procedural provisions of this Act.

*Entry into force*

### Article 101

This Act shall be published in the Official Gazette and shall enter into force on the day of introduction of the euro as the official currency in the Republic of Croatia.

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## **TRANSITIONAL AND FINAL PROVISIONS**



**(Official Gazette 145/2024)**

Article 37

The procedures initiated before the entry into force of this Act that have not been completed until the date of the entry into force of this Act shall be completed in accordance with the provisions of the Credit Institutions Act (Official Gazette 159/13, 19/15, 102/15, 15/18, 70/19, 47/20, 146/20 and 151/22).

Article 38

The Minister of Finance shall adopt the decision referred to in Article 34 of this Act within six months of the date of the entry into force of this Act.

Article 39

This Act shall enter into force on the eight day after the day of its publication in the Official Gazette, with the exception of Articles 4 and 7 of this Act, which shall enter into force on 30 December 2024 and Articles 13, 24, 25 and 26 of this Act, which shall enter into force on 17 January 2025.