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**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**

**Unofficial consolidated version  
(Official Gazette 20/2021 and 104/2022)**

Pursuant to Article 38, paragraph (4), Article 45, paragraph (8) and Article 54, paragraph (4) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020) and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

**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**

**I GENERAL PROVISIONS**

***Subject***

**Article 1**

(1) This Decision prescribes:

- the criteria for membership in the management board and supervisory board of a credit institution;
- the criteria for determining the independence of the members of the supervisory board;
- the procedure for granting prior approval and the documentation to be enclosed with the application for granting prior approval for the appointment of the chairperson or a member of the management board or supervisory board of a credit institution;
- the criteria that a credit institution shall assess in suitability assessment of a key function holder in a credit institution;
- the assessment of the suitability of the chairperson and members of the management board and supervisory board by a credit institution, the content of selection and suitability assessment policies, and compliance with the criteria for and dynamics of the assessment of compliance with the criteria for membership in the management board and supervisory board of a credit institution;
- the content of selection and suitability assessment policies and the dynamics of the assessment of compliance with the criteria for key function holders in a credit institution;
- the requirements relating to the promotion of diversity of the management board and supervisory board; and
- the requirements relating to the provision of induction and ongoing training of candidates for the chairperson or members of the management board and members of the supervisory board.

(2) The provisions of this Decision shall apply *mutatis mutandis* to the appointment of the persons to be responsible for directing the business of a branch of a third-country credit institution and key function holders in a branch of a third-country credit institution that has been authorised by the Croatian National to establish a branch.

(3) The provisions of Article (4) of this Decision shall apply *mutatis mutandis* to the appointment of members of the management board of a financial holding company having its head office in the Republic of Croatia or a mixed financial holding company having its head office in the Republic of Croatia.

***Alignment with European Union legislation***

**Article 2**

This Decision transposes into the Croatian legislation 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 the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing

Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance) (OJ L 176, 27.6.2013), as last amended by Directive (EU) 2019/878 of the European Parliament and the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (Text with EEA relevance) (Official Journal EU L 150/2019).

### ***Definitions***

#### Article 3

(1) The terms "credit institution", "control", "close links", "qualifying holding", "group of credit institutions", "group of credit institutions in the RC", "group", "subsidiary", "parent undertaking" and "immediate family member" shall have the meaning as defined in the Credit Institutions Act.

(2) The individual terms used in this Decision shall have the following meaning:

- 1) "connected persons" with the person being assessed shall be as follows:
  - immediate family members;
  - legal person in which that person or a member of his or her immediate family has a qualifying holding; and
  - legal person in which that person or a member of his or her immediate family is a member of senior management, a member of the management board, the supervisory board, the board of directors or an executive director;
- 2) "significant business relationship" means a business relationship which meets any of the following criteria:
  - the total liabilities of the chairperson or a member of the management board or supervisory board, including the persons connected with them, to a credit institution, its parent or subsidiary undertaking, its clients and other credit institutions with head offices in the Republic of Croatia or branches of credit institutions from other Member States or third countries exceed their total claims against and holdings in that credit institution by an amount higher than 2% of the credit institution's initial capital but are not lower than HRK EUR 400 000;
  - a credit institution or a person connected with it has a holding in the initial capital instruments exceeding 25% of the initial capital of an undertaking controlled by the chairperson or a member of the management board or supervisory board; or
  - an undertaking connected with the chairperson or a member of the management board or supervisory board of a credit institution derives most of its income from the provision of services to that credit institution;
- 3) "conflict of interest" within the meaning of Article 38, paragraph (1), item (3) and Article 45, paragraph (1), item (3) of the Credit Institutions Act means the situations described in Article 8, paragraph (4) of this Decision which credit institutions cannot manage in the manner which would ensure the candidate's independence of mind;
- 4) "candidate" means a person on behalf of whom a credit institution or the founders have applied for a prior approval for the appointment to the function of the chairperson or a member of the management board or supervisory board, including the person currently performing the function of the chairperson, a member of the management board or supervisory board and the person reappointed to any of such functions by the credit institution;
- 5) "independence of mind" means behavioural skills required from the chairperson, a member of the management board or supervisory board of a credit institution to make prudent, objective and independent decisions and opinions when performing their functions and tasks and shown in particular during discussions and decision-making within the management board and supervisory board;
- 6) "procedures" means investigations, criminal prosecutions and criminal proceedings and proceedings preceding the final judgement, final enforcement measures, administrative sanctions or misdemeanour sanctions;

- 7) "executive function" means the function of an executive director in undertakings having a board of directors or the function of the chairperson or a member of the management board in undertakings having a management board and supervisory board;
- 8) "non-executive function" means the function of the member of the board of directors who is not the executive director in undertakings having a board of directors or the function of the member of a supervisory board in undertakings having a management board and supervisory board;
- 9) "significant shareholder" means a shareholder holding a share of over 10% in the initial capital or voting rights in an undertaking or having a significant influence over the management of the undertaking;
- 10) "significant holding" means a holding of over 10% in the initial capital or voting rights of an undertaking;
- 11) "chief financial officer" means the person who is overall responsible for financial resources management, financial planning and financial reporting in a credit institution;
- 12) "financial institution" shall have the meaning as defined in Article 4, paragraph (1), item (26) of Regulation (EU) No 575/2013, a state development bank or an agency or financial institution regulated by international law (e.g. the World Bank, the European Bank for Reconstruction and Development, etc.);
- 13) "significant credit institution" means any credit institution designated as global systemically important institution (G-SII) or other systemically important institution (O-SII) and any credit institution 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 exceed an amount equivalent to EUR 1 billion.

*Under Article 1 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (1), the comma between the words "parent undertaking" and "immediate family member" has been deleted and the word "and" has been inserted and the words "and "small and non-complex credit institution" have been deleted.*

*Under Article 1 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on the date of introduction of the euro as the official currency of the Republic of Croatia, in paragraph (2), in item (2), in the first indent, the words "HRK 3 million" have been replaced by the words "EUR 400 000".*

*Under Article 1 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, after item (12), item (13) has been added.*

*Under Article 16 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on the date of introduction of the euro as the official currency of the Republic of Croatia, in the part adding item (13) in paragraph (2), the words "an amount equivalent to" shall be deleted on the date of introduction of the euro as the official currency of the Republic of Croatia.*

## II CRITERIA FOR MEMBERSHIP IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF A CREDIT INSTITUTION

### *Suitability*

#### Article 4

(1) The Croatian National Bank shall grant prior approval to perform the function of the chairperson or a member of the management board to a person it assesses as suitable. A person shall be considered as suitable if he/she:

- meets the criteria laid down in Article 38 of the Credit Institutions Act, and
- ensures, in accordance with Article 35, paragraph (2) of the Credit Institutions Act, that the management board collectively has sufficient knowledge, skills and experience to perform its duties independently and without undue influence from other persons, and that it has a sufficiently diversified structure.

(2) The Croatian National Bank shall grant prior approval to perform the function of a member of a credit institution's supervisory board to a person it assesses as suitable. A person shall be considered as suitable if he/she:

- meets the criteria laid down in Article 45 of the Credit Institutions Act, and
- ensures, in accordance with Article 35, paragraph (3) of the Credit Institutions Act, that the supervisory board collectively has sufficient knowledge, skills and experience to perform its duties independently and without undue influence from other persons, and that it has a sufficiently diversified structure.

### *Good repute, honesty and integrity of the chairperson and members of the management board and supervisory board*

#### Article 5

(1) The Croatian National Bank shall consider, within the meaning of Article 38, paragraph (1), items (1) and (4) and Article 45, paragraph (1), items (1) and (5) of the Credit Institutions Act, the following candidates as candidates of no good repute, honesty and integrity:

- 1) candidate 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 the Credit Institutions Act or a candidate who has been convicted by a judgement with final force and effect of any of the criminal offences which by their definition correspond to criminal offences referred to in Article 25, paragraph (2) of the Credit Institutions Act;
- 2) or against whom criminal proceedings have been initiated for any of the criminal offences referred to in Article 25, paragraph (2) of the Credit Institutions Act, or against whom criminal proceedings have been initiated for any of the criminal offences which by their definition correspond to criminal offences referred to in Article 25, paragraph (2) of the Credit Institutions Act, or who has been convicted by a judgement with final force and effect of, or against whom criminal proceedings have been initiated for, any of the criminal offences not listed in Article 25, paragraph (2) of the Credit Institutions Act, including any predicate offence related to money laundering as defined in the regulations governing the prevention of money laundering and terrorist financing, if that may give rise to doubt as to the good repute, honesty and integrity of the candidate;
- 3) a candidate who has been imposed a security or some other measure or an administrative or a misdemeanour sanction, who has been or is under investigation or subject to proceedings by competent supervisory authorities, other bodies governed by public law or courts for irregularities or non-compliance with any of the regulations governing banking, financial or insurance activities or governing capital markets, securities or payment instruments, regulations governing the provision of financial services, consumer protection or any other relevant regulations or if there

are other adverse reports with relevant, credible and reliable information (e.g. as part of whistleblowing procedures) or whom the Croatian National Bank or another competent authority has notified of its intention to initiate sanctioning proceedings or who has been negotiating with the Croatian National Bank or another competent authority the conditions of admitting guilt and the sanctions and measures to be imposed, if that may give rise to doubt as to the good repute, honesty and integrity of the candidate;

- 4) a candidate who manages, or has managed at the time of the offence, the undertaking which has been convicted by a judgement with final force and effect of the criminal offence referred to in items (1) and (2) of this paragraph, or who has been imposed measures or against whom proceedings and other actions referred to in item (3) of this paragraph have been initiated, which may give rise to doubt as to the good repute, honesty and integrity of the candidate;
- 5) a candidate who has not achieved good results by his/her past professional work and personal integrity;
- 6) a candidate whose business results compromise the candidate's good repute, honesty and integrity;
- 7) a candidate whose financial stability compromises the candidate's good repute, honesty and integrity; and
- 8) a candidate for whom there are some other grounds for suspicion as to his/her good repute, honesty and integrity.

(2) The Croatian National Bank shall especially verify whether the candidate is a candidate of good repute, honesty and integrity if there is justified cause to suspect the candidate of current or previous money laundering or terrorist financing or any such attempts or if there is increased risk thereof in relation to the credit institution.

(3) The determination of the existence of the circumstances referred to in paragraph (1), items (2) to (4) and paragraph (2) of this Article shall be without prejudice to the application of the principle of presumption of innocence referred to in the regulations governing criminal offence proceedings.

(4) When determining the existence of the circumstances referred to in paragraph (1), items (2) to (4) and paragraph (2) of this Article, the Croatian National Bank shall take into account all available information relating to the type of criminal-law sanctions, whether criminal offence, misdemeanour, administrative, civil or any other proceedings have been initiated against the candidate, the phases of proceedings and legal remedies taken, penalties or other criminal-law sanctions imposed, effects of rehabilitation measures, the existing extenuating and aggravating circumstances of the case, the significance of the criminal offence, misdemeanour, or any other violations or breaches, the period that elapsed since the offence was committed, the candidate's personal contribution to the criminal offence, misdemeanour or other violations or breaches and the candidate's behaviour during that period in the sense of the candidate's stance to the criminal offence, misdemeanour or any other violation or breach and the candidate's transparency. The Croatian National Bank shall also take into account any larger number of minor misdemeanours or minor criminal offences which do not individually, but might cumulatively undermine the candidate's good repute, honesty and integrity.

(5) When determining the existence of circumstances referred to in paragraph (1), items (2) to (4) of this Article, the Croatian National Bank may request from the credit institution and the candidate to submit a statement as to the facts and circumstances that may impact the candidate's good repute, honesty and integrity.

(6) Also, when determining the existence of the circumstances referred to in paragraph (1), items (2) to (4) and paragraph (2) of this Article, the Croatian National Bank shall take into account the information on all relevant previous measures, judgements, administrative or misdemeanour sanctions and proceedings involving the candidate or the undertaking that the candidate manages or has managed delivered or imposed by the Croatian National Bank or another competent authority.

(7) When determining the existence of the circumstances referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall analyse the information suggesting incorrect behaviour of the candidate in his/her past professional work, such as non-transparent behaviour and lack of co-operation with the competent authorities, refusal or revocation of approvals to perform managerial functions or professional occupations or activities and it shall, where available, also analyse the reasons for employment contract termination, removal from a key or similar function and bans on directing the business or representing legal persons imposed by the competent authority, as well as any other information or evidence suggesting that the candidate's behaviour is not in line with the high standards of professional conduct.

(8) When determining the existence of the circumstances referred to in paragraph (1), items (6) and (7) of this Article, the Croatian National Bank shall take into account the financial and business results of the undertaking in which the candidate is or has been a significant shareholder, or in which the candidate has or has had significant holdings, or in which he/she has performed the function of a member of the management board, some other managerial function or the function of a member of the supervisory board before it has been established that the undertaking had committed a major irregularity or breach in its operation, before the pre-bankruptcy settlement proceedings against the undertaking have been carried out, bankruptcy proceedings initiated, a decision on the compulsory winding-up rendered, extraordinary administration proceedings initiated or the undertaking's authorisation revoked, which could affect the candidate's good repute, honesty and integrity. The Croatian National Bank shall assess whether the candidate's behaviour contributed to these events.

(9) When assessing the criteria referred to in paragraph (1), items (7) and (8) of this Article, the Croatian National Bank shall take into account the financial stability of the candidate and its potential influence on the candidate's good repute, honesty and integrity. In doing so it shall analyse:

- whether the candidate's property and income threaten the candidate's ability to meet his/her financial obligations in the future;
- whether the candidate's name is included in any list of unreliable debtors (e.g. the Ministry of Finance's tax defaulter list, "black list", etc.);
- whether personal bankruptcy has been declared over the candidate's property;
- whether any civil, administrative, out-of-court or misdemeanour proceedings or proceedings for imposing administrative sanctions have been initiated against the candidate or whether investigations have been initiated in which the candidate is a party and whether measures have been imposed on the candidate by competent authorities, other bodies governed by public law or professional associations in all jurisdictions, which could threaten the candidate's ability to meet his/her financial obligations in the future;
- whether the candidate has been convicted by a judgement with final force and effect and whether criminal offence proceedings have been initiated against the candidate for any criminal offences not listed in Article 25, paragraph (2) of the Credit Institutions Act;
- whether the candidate has been convicted of a misdemeanour or subject to administrative sanctions;
- large investments, exposures or debts of the candidate; and
- the financial and business results of the undertaking in which the candidate is or has been a significant shareholder or in which the candidate has or has had significant holdings or in which he/she performed the function of a member of the management board, some other managerial function or the function of a member of the supervisory board, which could affect the candidate's good repute, honesty and integrity.

*Under Article 2 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (1), items (2) and (3) have been amended.*

*Under Article 2 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (9), the fourth indent has been amended.*

**Knowledge and skills of the members of the management board and supervisory board**

Article 6

(1) The Croatian National Bank shall consider as adequate knowledge, within the meaning of Article 38, paragraph (1), item (2) and Article 45, paragraph (1), item (2) of the Credit Institutions Act, at least the possession of a graduate degree in a relevant field, in accordance with the regulations governing scientific activity and university education and recognition of foreign educational qualifications.

(2) The relevant field referred to in paragraph (1) of this Article shall include:

- economics and other related fields (e.g. banking and finance, management, accounting, audit);
- law and related fields (e.g. administration, financial regulation); or
- mathematics, physics, computer science, electrical engineering and similar fields.

(3) When assessing the knowledge of a candidate the Croatian National Bank shall analyse, in addition to the educational degree attained in accordance with paragraphs (1) and (2) of this Article, the candidate's ongoing professional training in the past five years in the following fields:

- financial markets;
- accounting and audit;
- regulatory framework and prudential requirements;
- strategic planning and the knowledge of the business strategy, business planning and the achievement of business plans;
- risk management (identifying, assessing, monitoring, controlling and managing the main types of risks in credit institutions);
- corporate governance, including the internal control system; and
- analysis of a credit institution's financial information.

(4) When assessing the skills of a candidate for a chairperson or a member of the management board within the meaning of Article 38, paragraph (1), item (2) of the Credit Institutions Act, the Croatian National Bank may assess his/her decisiveness, strategic vision, judgement on risks, leadership, power of persuasion, and the ability and willingness of the candidate to engage in ongoing learning and professional development.

(5) When assessing the knowledge and the skills of a candidate for a chairperson or a member of the management board, the area of competence to which the candidate is being appointed and the responsibilities that such a position on the board implies shall be taken into account, for example, for a management board member responsible for the implementation of the regulations governing the prevention of money laundering, also analysed are the candidate's knowledge and skills related to the identification and assessment of money laundering and terrorist financing risks, and policies, controls and procedures for the prevention of money laundering and terrorist financing.

(6) The candidate for a chairperson or a member of the management board shall ensure legal, safe and stable operation of the credit institution by his or her work programme.

(7) When assessing the skills of a candidate for a member of the supervisory board within the meaning of Article 45, paragraph (1), item (2) of the Credit Institutions Act, the Croatian National Bank may assess the candidate's ability to understand and critically review the credit institution's operation and the risks to which it is exposed, as well as his/her, decisiveness, strategic vision, judgement on risks and willingness to

engage in ongoing learning and professional development.

(8) By way of derogation from paragraph (1) of this Article, where a credit institution's supervisory board has five or more members, one member of the supervisory board does not have to meet the condition referred to in paragraph (1) of this Article.

*Under Article 3 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (2) has been amended.*

*Under Article 3 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (3), after the words "the candidate's ongoing professional training", the words "in the past five years" have been inserted.*

*Under Article 3 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (5) has been amended.*

### ***Experience of the members of the management board***

#### **Article 7**

(1) The Croatian National Bank shall consider as adequate experience within the meaning of Article 38, paragraph (1), item (2) of the Credit Institutions Act:

- experience at management board level or level immediately below the management board level in credit institutions, financial institutions, insurance undertakings or undertakings defined as large entrepreneurs under accounting rules; or
- experience in key managerial positions in an authority competent for the supervision of credit and financial institutions;

(2) When assessing the experience referred to in paragraph (1) of this Article, the Croatian National Bank shall analyse in particular the candidate's work experience in:

- banking and financial markets;
- accounting and audit;
- regulatory framework and requirements;
- strategic planning and the knowledge of the business strategy, business planning and the achievement of business plans;
- risk management (identifying, assessing, monitoring, controlling and managing the main types of risks in a credit institution);
- climate and other environmental risks;
- prevention of money laundering and terrorist financing;
- the assessment of the effectiveness of a credit institution's procedures and measures through effective governance, oversight and control arrangements; and
- the interpretation of a credit institution's financial information, identification of key issues based on this information and appropriate controls and measures.

(3) The adequate experience referred to in paragraph (1) of this Article shall mean ten years of recent work experience for a candidate for the chairperson of the management board and five years of recent work experience for a candidate for a member of the management board.

(4) When assessing experience, the area of competence to which the candidate is being proposed and the responsibilities that such a position on the management board implies shall also be taken into account, for example, for a management board member responsible for the implementation of the regulations governing the prevention of money laundering, also analysed is the candidate's experience related to the identification and assessment of money laundering and terrorist financing risks, and policies, controls and procedures for the prevention of money laundering and terrorist financing.

(5) By way of derogation from paragraph (3) of this Article, the Croatian National Bank may consider that a candidate has adequate work experience although the candidate does not have the length of work experience stipulated in paragraph (3) of this Article, if the credit institution provides a detailed explanation of the reasons and submits evidence that the candidate has other adequate experience-related qualities, such as specialist knowledge or acquired experience, required by the credit institution to which the candidate is being appointed, an exceptionally successful professional career or specific required knowledge suited for the special role to be fulfilled or areas of competence to be covered by the candidate.

(6) In addition to the criteria referred to in paragraphs (1) to (3) of this Article, the Croatian National Bank shall, with respect to the function and the credit institution to which a candidate is appointed, additionally assess the candidate's experience according to the following criteria:

- 1) the type of function and its position in the hierarchy;
- 2) the knowledge the candidate has acquired in that function;
- 3) the nature and complexity of operations carried out by the candidate, including the organisational structure of the entity (employer) at the time of holding the position;
- 4) the scope of competences, decision-making powers and responsibilities;
- 5) the name and type of the entity (employer) in which the candidate performed the function;
- 6) the number of subordinates; and
- 7) the periods during which the function was performed.

*Under Article 4 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (2) has been amended.*

*Under Article 4 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (4) has been amended.*

*Under Article 4 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (6) has been amended.*

### ***Independence of mind and conflict of interest of the members of the management board and supervisory board***

#### **Article 8**

- (1) The candidates shall be able to express their independence of mind and in particular show:
- 1) the absence of a conflict of interest that cannot be managed in a manner that ensures the independence of mind;
  - 2) whether they have the behavioural skills including:
    - a) the courage, conviction and strength to effectively assess and challenge the proposed decisions of other members of the management board and supervisory board; and

b) that they are able to resist "group think".

(2) When assessing whether the candidate has the behavioural skills needed to express independence of mind, his/her past and current business behaviour is assessed, in particular in that credit institution.

(3) Membership in the management board or supervisory board or ownership of holdings in affiliated undertakings or entities affiliated with the credit institution shall not in itself imply that the chairperson of the management board, a member of the management board or a member of the supervisory board of a credit institution are not able to express their independence of mind.

(4) A conflict of interest that cannot be managed by a credit institution shall be deemed to exist:

- 1) where the candidate a person connected to the candidate has a significant business relationship with a credit institution;
- 2) where the candidate for the chairperson or a member of the management board is also a member of the supervisory board of any of credit or financial institutions providing services in the territory of the Republic of Croatia; or
- 3) where the candidate for a member of the supervisory board is also a member of the supervisory board or management board of another credit institution, financial institution, mixed financial holding company or financial holding company providing services in the territory of the Republic of Croatia.

(5) By way of derogation from paragraph (4), items (2) and (3) of this Article, no conflict of interest that cannot be managed by a credit institution shall be deemed to exist if a candidate is also a member of the management board or supervisory board:

- 1) of its subsidiaries which are credit or financial institutions; or
- 2) credit or financial institutions belonging to the same group of credit institutions as the credit institution.

(6) When assessing the existence of a conflict of interest, at least the following shall be considered:

- 1) economic interests deriving from shareholding and other ownership rights or similar economic interests such as intellectual property rights in the credit institution, its parent institution or subsidiary and undertakings or entities which have been customers or suppliers of the credit institution, loans, credits or similar arrangements granted by the credit institution to the candidate or persons connected to the candidate as well as financial obligations towards holders of qualifying holdings in the credit institution;
- 2) personal, business or professional relationships of candidates with holders of qualifying holdings in the credit institution or its parent undertaking or subsidiary, whether the candidate represents any of the shareholders of the credit institution, its parent undertaking or subsidiary and whether the candidate for the function of the member of the supervisory board was proposed by a significant shareholder;
- 3) personal, business or professional relationships of candidates with the staff, including members of the management board and supervisory board, of the credit institution or entities included within the scope of accounting or prudential consolidation;
- 4) candidate's previous employments in the last five years;
- 5) personal, business or professional relationships of candidates with relevant suppliers, consultancies and other similar service providers of the credit institution, its parent institution or subsidiary;
- 6) candidate's shares or ownership rights in an undertaking or entity with conflicting interests in relation to the credit institution (e.g. the credit institution's competitors);
- 7) political influence or relationships of candidates with politically exposed persons in the past two years;
- 8) whether a cooling-off period has been set during which the candidate may not assume or start to perform the function he/she is being appointed to due to the potential conflict of interest; and

- 9) whether the candidate is directly or indirectly involved in any court proceedings or out-of-court proceedings, including conciliation, arbitration or similar proceedings against the credit institution, its parent institution or subsidiary or holders of qualifying holdings.

(7) A credit institution shall require from the candidate to supply updated information on all known facts referred to in paragraphs (4) and (6) of this Article.

(8) The credit institution and the candidate shall without delay notify the Croatian National Bank on each actual, potential or perceived conflict of interest.

(9) Based on the analysis referred to in paragraph (6) of this Article, a credit institution shall document, monitor and duly manage each actual, potential or perceived conflict of interest, establish the significance of the risk that arises or might arise in connection therewith and, where necessary, take the measures to mitigate or eliminate conflict of interest to ensure the candidate's independence of mind and impartiality in performing his/her duties.

(10) The chairperson or a member of the management board, or a member of the supervisory board of a credit institution shall be exempt from participating in discussions, decision-making or voting on proposals, plans, agenda items, etc. if a conflict of interest has been established to exist in connection therewith.

(11) The measures to mitigate or eliminate the conflict of interest referred to in paragraph (9) of this Article that the credit institution may take or the Croatian National Bank may impose shall be as follows:

- 1) prohibition from participation in discussions, decision-making or voting on proposals, plans, agenda items, etc. if a conflict of interest has been established to exist in connection therewith;
- 2) ordering removal from a particular function;
- 3) ongoing supervision and monitoring of conflict of interest by the credit institution;
- 4) regular reporting to the Croatian National Bank in connection with the situation in relation to which a potential conflict of interest has been established;
- 5) setting a period during which the candidate may not assume and start to perform the function to which the candidate has been appointed;
- 6) applying the arm's length principle for obtaining loans or other financial products;
- 7) selling certain assets or holdings; and
- 8) any other measure that might contribute to mitigation or elimination of the conflict of interest.

*Under Article 5 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (6) has been amended.*

### ***Experience of the members of the supervisory board***

#### **Article 9**

(1) The Croatian National Bank shall consider as adequate experience within the meaning of Article 45, paragraph (1), item (2) of the Credit Institutions Act:

- 1) experience of serving at management board level, level immediately below or at most two levels below management or supervisory board level or equivalent levels in undertakings with board of directors, which might have provided the candidate with broad practical or theoretical knowledge in the segment of banking and financial services;
- 2) experience in key managerial positions in a body or an authority competent for the supervision of credit or financial institutions;
- 3) experience gained from working in academic positions; and

- 4) experience gained from working in key managerial positions involving a high degree of autonomy with government administration bodies or public authorities.

(2) The adequate experience referred to in paragraph (1) of this Article shall mean at least five years of relevant experience in performing the function of the chairperson of the supervisory board.

(3) When assessing the experience of a candidate for a member of the supervisory board, the Croatian National Bank shall verify the functions that the candidate has previously held and competence assigned to the candidate, the size of the undertaking in which the candidate performed his or her function, its business and its prevailing activity, i.e. whether the candidate has sufficient experience to provide constructive challenge to the decisions and effective oversight of the credit institution's management board, as well as to fulfil other obligations stipulated for the members of the supervisory board.

(4) By way of derogation from paragraph (2) of this Article, the Croatian National Bank may consider that a candidate for the member of a supervisory board has adequate work experience although he or she might not have sufficient length of work experience referred to in paragraph (2) of this Article, if the credit institution provides a detailed explanation of the reasons and submits evidence that the candidate has other adequate experience-related qualities, such as specialist knowledge or acquired experience, required by the credit institution to which the candidate is being appointed, an exceptionally successful professional career or specific required knowledge suited for the special role to be fulfilled or areas of competence to be covered by the candidate.

*Under Article 6 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (1), item (1) has been amended.*

### ***Independence of the members of the supervisory board***

#### **Article 10**

Within the meaning of Article 45, paragraphs (3) and (4) of the Credit Institutions Act, a member of the supervisory board shall be considered to be independent if:

- 1) he/she is not a controlling shareholder of that credit institution or an undertaking connected thereto within the meaning of Article 23, paragraphs (3) and (4) of the Accounting Act or national legislation transposing the provisions of Article 22, paragraph (1) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance) (*OJ L 182, 29.6.2013, p. 19 – 76*) or does not represent a controlling shareholder;
- 2) he/she does not serve or has not served in the previous five years as a member of the management board of that credit institution or another institution or undertaking within the scope of prudential or accounting consolidation;
- 3) he/she is not an employee of the credit institution's controlling shareholder or is not otherwise associated with the controlling shareholder;
- 4) he/she is not an employee of the institution or undertaking within the scope of prudential or accounting consolidation;
- 5) he/she is not or has not been in the previous three years a member of the senior management of a credit institution or other undertaking within the scope of prudential or accounting consolidation directly accountable to the management board;
- 6) if he/she does not receive or has not received, in addition to the remuneration for performing the function of a member of the supervisory board, from a credit institution or undertaking within the

scope of prudential or accounting consolidation, significant fees or does not make or has not made significant income;

- 7) he/she is not or has not been in the previous three years a member or a partner of an audit firm which provides or has provided audit services or undertaking which provides consultancy services to the credit institution or an undertaking within the scope of prudential or accounting consolidation, or if he/she is not or has not been an employee of such undertakings or who is or has been materially associated with the service provider;
- 8) he/she does not serve as member of the management board of another undertaking in which a member of the management board of a credit institution serves as a member of the supervisory board;
- 9) he/she is not connected to a member of the management board of a credit institution or another undertaking within the scope of prudential or accounting consolidation or is not connected to any of the persons referred to in items (1) to (8), (10) and (11) of this Article;
- 10) he/she has not served as member of the management board or supervisory board of the credit institution for 12 consecutive years or longer; and
- 11) he/she is not a controlling holder of holdings or shares in an undertaking or entity which was a material supplier or customer of a credit institution or another undertaking within the scope of prudential or accounting consolidation or has not had any other significant business relationship with the credit institution.

### ***Sufficient time commitment***

#### Article 11

(1) In accordance with Article 38, paragraph (1), item (6) and Article 45, paragraph (1), item (4) of the Credit Institutions Act, it shall be considered that the candidate cannot commit sufficient time to perform his/her functions, if he/she simultaneously performs:

- 1) the function of the chairperson or a member of the credit institution's management board and another function of a member of the management board of another undertaking or the function of managing a public company or a limited partnership;
- 2) the function of a member of the management board and more than two functions of a member of the supervisory board; or
- 3) more than four functions of a member of the supervisory board.

(2) When assessing whether the chairperson, a member of the management or supervisory board can commit sufficient time to perform their functions within the meaning of Article 38, paragraph (1), item (5) and Article 45, paragraph (1), item (4) of the Credit Institutions Act, at least the following shall be considered:

- 1) the number of executive and non-executive functions or deputy functions held simultaneously by the candidate, as well as the expected total number of days to be committed to their fulfilment on an annual basis;
- 2) the nature, size, scope and complexity of the operations of the undertaking in which the candidate holds an executive, non-executive or deputy function;
- 3) geographical location of the undertaking in which the candidate performs the function and the travel time required to perform that function;
- 4) the average number of meetings held annually by the management board or supervisory board in which the candidate performs the function, as well as the time required to prepare for participation in the meetings;
- 5) the meetings of the management board or supervisory board held as needed with the competent authorities and interested parties;
- 6) the candidate's position, responsibilities and areas of competence (e.g. whether they cover the position of a chairperson of one of the supervisory board's committees);

- 7) other professional or political activities, and any other functions and relevant activities, as well as the expected total number of days the candidate must commit to their fulfilment on an annual basis;
- 8) the number of functions in organisations or entities not established for the sole purpose of generating profit; and
- 9) the time needed to commit to induction and ongoing training.

(3) When determining the number of functions referred to in paragraphs (1) and (2) of this Article, the function of a member of the management board or supervisory board shall be considered to be one function if performed in

- undertakings within the same group; and
- undertakings in which the credit institution holds a qualifying holding.

(4) The restrictions referred to in paragraph (1) of this Article shall not apply to the members of the supervisory board representing the Republic of Croatia or another Member State in these bodies.

(5) The functions of a member of the management board or supervisory board in organisations or entities not established for the sole purpose of generating profit such as non-profit organisations, undertakings set up for the sole purpose of managing personal assets of the member of the management board or supervisory board or persons connected with them provided that they do not require day-to-day management by the member of the management board or supervisory board, and other similar organisations or entities, shall not be considered when determining the number of functions referred to in paragraphs (1) and (2) of this Article.

(6) When determining the number of functions referred to in paragraphs (1) and (2) of this Article, the functions of a member of the management board or supervisory board of the credit institution carrying out the suitability assessment shall be taken into consideration.

### ***Collective suitability criteria for the management board and supervisory board***

#### **Article 12**

(1) Within the meaning of Article 38, paragraph (1), item (2) and Article 45, paragraph (1), item (2) in conjunction with Article 35 of the Credit Institutions Act, the chairperson and members of the management board and supervisory board shall collectively have the knowledge, skills and experience necessary to perform the functions in accordance with the business model, risk appetite, strategy and markets in which the credit institution operates.

(2) The chairperson and members of the management board shall collectively have the knowledge necessary to cover all business areas of the credit institution and the skills necessary to express their opinion and influence the decision-making process within the credit institution's management board. The management board shall have sufficient number of members with sufficient knowledge in at least each of the following areas:

- 1) services provided by the credit institution and the main risks related to them;
- 2) financial and capital markets, solvency and internal models;
- 3) governance arrangements of the credit institution;
- 4) accounting and reporting;
- 5) control function responsibilities;
- 6) information technology and security;
- 7) local, regional and global markets, where applicable;
- 8) the legal and regulatory framework;
- 9) managerial skills and experience;
- 10) prevention of money laundering and terrorist financing and risks that money laundering and terrorist financing may pose on the operation of the credit institution;

- 11) climate and other environmental risks;
- 12) strategic planning; and
- 13) the management of national and international groups and risks related to group structures, where applicable.

(3) Paragraph (2) of this Article shall apply *mutatis mutandis* to the members of the supervisory board.

*Under Article 7 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (2), after item (9), new items (10) and (11) have been inserted. The former items (10) and (11) have become items (12) and (13).*

### **III PROCEDURE FOR GRANTING APPROVALS FOR THE CHAIRPERSON OR MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD OF A CREDIT INSTITUTION AND DOCUMENTATION TO BE ENCLOSED WITH THE APPLICATION**

#### ***Application for granting prior approval***

##### **Article 13**

(1) A credit institution may appoint or select as the chairperson or a member of the management board or supervisory board a person for whom it obtained prior approval from the Croatian National Bank.

(2) The application for granting prior approval shall be submitted to the Croatian National Bank no later than four months before the expiry of the term of office of the chairperson or a member of the management board or supervisory board of a credit institution. In case of removal, resignation or death of a member of the supervisory board, due to which the supervisory board does not have the minimum number of members required by law or the Articles of Association for taking valid business decisions, the credit institution shall submit an application for granting prior approval to the Croatian National Bank no later than two months after the occurrence of such events.

(3) By way of derogation from paragraphs (1) and (2) of this Article, a credit institution shall not be required to obtain prior approval from the Croatian National Bank for persons appointed by court in accordance with Article 39, paragraph (3) and Article 46, paragraph (3) of the Credit Institutions Act, or the supervisory board in accordance with Article 39, paragraph (13) of the Credit Institutions Act.

(4) The application for granting prior approval for the appointment of the chairperson or a member of the management board or supervisory board shall include at least the following information and data:

- 1) information on the credit institution, including its name, personal identification number (OIB), legal identifier code (LEI), business entity registration number (MBS), head office, the grounds for the decision on candidate selection, name and surname of the contact person of the credit institution (e-mail address, telephone number);
- 2) personal information on the appointee or person selected, including his/her name, gender, whether the person changed his/her name and/or surname or gender and details thereof, including the date of the change, place and date of birth, current address (domicile), including the country and postal code, whether the person has lived in a country other than the country of domicile in the last five years and details thereof, citizenship, identity card or passport number, country of issue, personal identification number (OIB) or equivalent thereof and other personal information, such as the telephone number and e-mail address, information on compliance with the criteria for membership in the management board or supervisory board in accordance with

the provisions of the act governing the operation of undertakings and information about the Croatian language proficiency level (only for foreign nationals);

- 3) information on whether any previous suitability assessment of the candidate has been carried out by another competent authority in the financial sector (including the identity of that authority or institution, the nature and duration of the functions performed and the date of assessment), provide an explanation if the assessment has resulted in a negative decision, revocation of approval to perform the function in question or if the decision has been adopted with conditions, obligations (order) or recommendations;
- 4) information on the function the candidate is appointed to or selected for (chairperson or member of the management or supervisory board or a person responsible for directing the business of a branch of a third-country credit institution), planned beginning and duration of the term of office, a detailed description of the tasks and responsibilities of the candidate and business areas for which he/she will be responsible, reporting lines of the function the candidate is being appointed to, whether the candidate performs any other function in the institution he/she is being appointed to, whether the candidate is appointed to the function of an independent member of the supervisory board in accordance with Article 45, paragraphs (3) and (4) of the Credit Institutions Act, the name and surname of the person the candidate will replace (where the candidate is replacing a member of the management board or supervisory board), whether the candidate is reappointed to the management board or supervisory board, what are the candidate's functions in supervisory board committees (where applicable) and, where the application is not submitted within the prescribed time limit, an explanation of the reasons why it has not been submitted within that time limit;
- 5) information on the candidate's educational background, including the level of the diploma or certificate, level of educational qualification obtained, field of study, type of educational organisation (e.g. university, etc.);
- 6) information on the candidate's work experience, for the positions held or functions performed by the candidate in the last ten years, the following shall be specified:
  - a) the type of function and its position in the hierarchy;
  - b) the knowledge the candidate has acquired in that function;
  - c) the organisational structure of the employer at the time of performing the function or holding the position;
  - d) the scope of competences, decision-making powers and responsibilities;
  - e) the name and type of the entity in which the candidate performed the function;
  - f) the number of subordinates; and
  - g) the periods during which the function was performed;
- 7) information on potential complementary or compensatory factors (e.g. specialised knowledge and acquired experience required by the credit institution, an exceptionally successful professional career or specific required experience suited for the special role to be fulfilled or areas of competence to be covered by the candidate, etc.), based on which it may be considered that the candidate has adequate work experience although he/she does not have the required length of work experience (applicable where the candidate does not have the required length of work experience);
- 8) information on the assessed level of banking experience by individual business areas;
- 9) information on the candidate's professional training in the last five years, including details such as the fields, duration and completion years of training;
- 10) information on induction training, such as the fields, providers and duration (number of hours) of training, with an indication of whether induction training will be held before the beginning of the candidate's term of office or within the first year of assuming the function and with a separate indication of the planned beginning and completion of the training if it begins more than six months after assuming the function;
- 11) information on whether any proceedings have been initiated against the candidate, or whether the candidate has been convicted by a judgement with final force and effect of one or more criminal offences referred to in Article 25, paragraph (2) of the Credit Institutions Act or of any other

- criminal offence, including any predicate offence related to money laundering as defined in the regulations governing the prevention of money laundering and terrorist financing;
- 12) information on whether the candidate has been convicted by a judgement with final force and effect of any misdemeanour or whether the candidate has been imposed a security or some other measure or an administrative sanction, whether criminal proceedings or investigations have been initiated against the candidate or whether the candidate has been or is under investigation or subject to proceedings by competent supervisory authorities, other bodies governed by public law or courts for irregularities or non-compliance with any of the regulations governing banking, financial or insurance activities or governing capital markets, securities or payment instruments, or regulations governing the provision of financial services or any other relevant regulations or if there are other adverse reports with relevant, credible and reliable information (e.g. as part of whistleblowing procedures) or whether the Croatian National Bank or another competent authority has notified the candidate of its intention to initiate sanctioning proceedings or whether the candidate has been negotiating with the Croatian National Bank or another competent authority the conditions of admitting guilt and the sanctions and measures to be imposed, and that may give rise to doubt as to the good repute, honesty and integrity of the candidate;
  - 13) information on whether any proceedings have been initiated against the candidate, or whether the candidate has been convicted by a judgement with final force and effect of any misdemeanour or administrative sanction not listed in item (12), which might adversely affect the candidate's financial stability, and his/her good repute, honesty and integrity;
  - 14) information on whether the candidate is or has been a party to any civil, administrative or out-of-court proceedings (in all stages of the proceedings), whether the candidate has been or is subject to investigation or sanctioning proceedings or whether measures have been imposed on the candidate (including warnings, etc.) by competent authorities or other bodies governed by public law in all jurisdictions;
  - 15) if the answer to any of the questions referred to in items (11) to (14) is affirmative, detailed information on the proceedings or judgement or sanction;
  - 16) information on whether bankruptcy or similar proceedings have been initiated against the candidate or the undertaking he/she has managed and, if the answer is affirmative, a detailed explanation thereof;
  - 17) information on whether the candidate has ever been refused an application for registration (entry in the register), approval, membership or license to carry out a trade, business or profession or whether the candidate's registration, approval, membership or license has been revoked, withdrawn, suspended or expired, whether the candidate has ever been dismissed from work or removed from a management or similar position or had his/her powers of representation withdrawn or has the candidate ever been subject to disciplinary or similar measures;
  - 18) information on the candidate's financial position, including the information on whether the candidate's property and income threaten his/her ability to meet his/her financial obligations in the future, whether the candidate's name is included in any list of unreliable debtors and whether foreclosure or bankruptcy proceedings or personal bankruptcy proceedings have been initiated over the candidate's property;
  - 19) information on the financial and business results of undertakings in which the candidate is or has been a significant shareholder, or in which the candidate has or has had significant holdings, or in which he/she has performed the function of a member of the management board or other managerial function, including the information on whether pre-bankruptcy settlement proceedings have been carried out or bankruptcy proceedings initiated against the undertaking, whether extraordinary administration proceedings have been initiated, a decision on the compulsory winding-up has been rendered or the undertaking's authorisation has been revoked and whether it has received extraordinary public financial support, or whether it has been subject to reconstruction, recovery or resolution;
  - 20) information on the candidate's personal relationships with members of the management board or supervisory board or key function holders in the credit institution, its parent undertaking or

- subsidiary, holders of qualifying holdings in the credit institution, suppliers, consultancies, other service providers or competitors of the credit institution, its parent undertaking or subsidiary;
- 21) information on whether the candidate is directly or indirectly involved in any court proceedings or out-of-court proceedings (including conciliation, arbitration, etc.) against the credit institution, its parent undertaking or subsidiary or holders of qualifying holdings in the credit institution;
  - 22) information on whether the candidate has or has had a business, or commercial relationship with the credit institution, its parent undertaking or subsidiary, a holder of a qualifying holding in the credit institution, clients, suppliers, consultancies, other service providers or competitors of the credit institution, its parent undertaking or subsidiary and if yes, details thereof;
  - 23) information on whether a cooling-off period has been set during which the candidate may not assume or start to perform the function he/she is being appointed to due to the potential conflict of interest;
  - 24) information on whether the candidate has financial obligations towards the credit institution, its parent undertaking and subsidiaries or holders of qualifying holdings and, if the answer is affirmative, details thereof;
  - 25) information on whether the candidate has any financial interests, such as ownership rights or investments in the credit institution, parent institution or subsidiary and in clients, suppliers or competitors of the credit institution, its parent undertaking or subsidiary and, if the answer is affirmative, details thereof;
  - 26) information on whether the candidate represents a shareholder of the credit institution, its parent undertaking or subsidiary, and whether the candidate has been proposed for the function of the member of the supervisory board by a significant shareholder and, if the answer is affirmative, details thereof;
  - 27) information on whether the candidate currently has or has had in the past two years any position of high political influence (internationally, nationally or locally) and whether the candidate has a relationship with politically exposed persons and, if the answer is affirmative, details thereof;
  - 28) information on whether the candidate has any other relationships, positions or involvement that are not covered in the questions above and could affect the interests of the credit institution and, if the answer is affirmative, details thereof;
  - 29) if the answer to any questions related to the conflict of interest is affirmative, information should be provided on the assessment of whether that conflict of interest is material (if it is not considered material, justify this finding) and indicate how the potential conflict of interest is proposed to be mitigated or managed;
  - 30) assessment by the credit institution regarding the time needed to commit to the functions to which the candidate is being appointed to;
  - 31) assessment by the candidate regarding his/her time commitment for the function he/she is being appointed to (specify the expected total days per year), information on whether the candidate has sufficient time available to perform the function he/she is being appointed to and responsibilities it covers, whether the candidate is employed full time;
  - 32) function-related information that are taken into account when assessing whether the candidate can fulfil the criteria of sufficient time commitment as well as details about these functions, including the number of functions that are taken into account when determining the restrictions on the number of functions that the candidate may perform simultaneously in accordance with Article 11 of the Decision;
  - 33) information on whether this appointment is compliant with the credit institution's internal target or rules for gender diversity in the composition of the management board and supervisory board, whether this appointment is compliant with the credit institution's internal policies/rules for other aspects of diversity (such as education, professional experience, age and geographical provenance);
  - 34) information on results of collective suitability assessment of the management/supervisory board carried out by the credit institution also including the assessment results by individual assessment segment and a description of the extent to which the candidate contributes to the collective suitability of the management board and supervisory board and an explanation of the

shortcomings that have been identified in the collective composition of the management board and supervisory board and to what extent the candidate can remedy the identified shortcomings and whether the candidate may remedy some or all of these shortcomings.

(5) The application for granting prior approval to the chairperson or a member of the management board or supervisory board shall be submitted to the Croatian National Bank by means of the relevant IT system, electronically or in writing.

(6) The application referred to in paragraph (4) of this Article shall be accompanied by the following documents:

- 1) a decision on the appointment of the chairperson or a member of the management board or supervisory board conditioned by prior approval of the Croatian National Bank, or, if the Articles of Association provide that an individual shareholder appoints a certain number of members of supervisory board, the decision of that shareholder on the appointment of the member of the supervisory board, conditioned by prior approval of the Croatian National Bank;
- 2) the minutes of the supervisory board meeting at which the decision on the appointment of the chairperson or a member of the management board has been adopted, the minutes of the general meeting at which the decision on the appointment of a supervisory board member has been adopted or draft minutes, if the final version of the minutes is not available, and proposal of supervisory board members on the appointment of the candidate as the chairperson of the supervisory board, where applicable;
- 3) a copy of the identity card or the passport (for foreign nationals, together with a certified translation into Croatian);
- 4) an original or a copy of the diploma or equivalent document certified by a foreign educational institution that issued the diploma or a certified translation of the copy of the diploma or equivalent document certified by the foreign educational institution that issued the diploma;
- 5) a certificate issued by the legal person or entity (employer) in which the candidate has acquired the experience referred to in Articles 7 and 9 of this Decision, specifying the type of function and its position in the hierarchy, the knowledge that the candidate has acquired in that function, a description of the nature and complexity of the candidate's activities in that function, including the organisational structure of the employer at which these activities or functions were performed, a description of the scope of his/her competences, decision-making powers and responsibilities, the name and type of the entity (employer), the number of subordinates and the periods during which the function was performed (applicable for candidates who, at the time of application, do not perform the function of the chairperson, a member of the management or supervisory board of a credit institution in the Republic of Croatia);
- 6) a statement by the candidate set out in the Appendix to this Decision;
- 7) a statement by the credit institution on the measures planned or taken to mitigate or eliminate the conflict of interest referred to in Article 8, paragraph (11) of this Decision, in case of conflicts of interest that can be managed;
- 8) the work programme referred to in Article 14 of this Decision, signed by the candidate and stipulating the date of its creation, with the decision of the supervisory board providing approval to the candidate's work programme in accordance with Article 48 of the Credit Institutions Act (applicable for a candidate appointed as chairperson or a member of the management board);
- 9) an excerpt from criminal history records and misdemeanour records for:
  - a) the nationals of the Republic of Croatia, the statement issued by a municipal court on whether criminal proceedings have been initiated against the candidate, not older than one month from the date when the application for granting prior approval was submitted;
  - b) for foreign nationals and the nationals of the Republic of Croatia who have lived outside the Republic of Croatia during the past five years, information showing that the candidate has not been convicted of a misdemeanour or has not been subject to administrative sanctions, whether criminal offence or misdemeanour proceedings or proceedings for imposing administrative sanctions have been initiated against the candidate and whether the candidate has been convicted

by a judgement with final force and effect of a criminal offence, not older than one month from the date when the application for granting prior approval was submitted (information should cover all jurisdictions in which the candidate has lived during the past five years); and

10) a list of short-listed candidates or an explanation why it has not been submitted;

11) a curriculum vitae of the candidate.

(7) Where an application is submitted in case a person is reappointed to the credit institution's management board or supervisory board, the documents referred to in items (4), (5) and (10) of paragraph (6) of this Article shall not be required to be attached to the application for granting prior approval.

(8) In the case referred to in paragraph (7) of this Article, where the areas of competence of the person being reappointed to the management board of the credit institution have changed, the Croatian National Bank shall, in addition to other suitability criteria, assess its experience, knowledge and skills.

(9) In addition to the documents referred to in paragraph (6) of this Article, the application may be accompanied by other documents testifying to the candidate's good repute, honesty, integrity, independence of mind, knowledge, skills and experience.

(10) The Croatian National Bank may require from a credit institution which has filed an application for granting prior approval for the appointment of the chairperson or a member of the management board or supervisory board to submit other documents, data and information proving that the candidate meets the criteria for the chairperson or a member of the management board or supervisory board.

(11) The application referred to in paragraph (2) of this Article shall be deemed complete only after a credit institution submits all information and documents referred to in paragraphs (4), (6) and (10) of this Article and, where applicable, after conducting an interview with the candidate referred to in Article 15 of this Decision.

(12) When deciding on the application referred to in paragraph (2) of this Article, 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.

*Under Article 8 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (1) and paragraphs (3) to (12) have been amended.*

*Under Article 8 of the Decision on amendments to the 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 (Official Gazette 104/ 2022), which shall enter into force on the date of introduction of the euro as the official currency of the Republic of Croatia, paragraph (2) has been amended.*

## **Work programme**

### **Article 14**

(1) The work programme for the candidate proposed for appointment as chairperson or member of the management board shall contain:

- 1) a concise analysis of business operations specifying performance and efficiency indicators, including the risk profile of the credit institution which includes as a minimum an assessment of the exposure to credit risk, market risk, operational risk, interest rate risk in the non-trading book and an assessment of the exposure to liquidity risk in the credit institution in which the candidate

is proposed for appointment as chairperson or member of the management board, including, as an integral part of the analysis, a projection of the financial position of the credit institution consisting of at least the capital plan, the balance sheet and profit and loss statement for the period of the term of office, which in terms of its content corresponds to the balance sheet and profit and loss statement submitted to the Croatian National Bank pursuant to the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council with the breakdown of loans and liabilities in the balance sheet to non-financial corporations, SMEs and households, at a minimum;

- 2) a description of the credit institution's business environment and its position in relation to peer credit institutions and the banking system as a whole; the identified advantages and weaknesses in relation to peer groups of credit institutions;
- 3) a description of macroeconomic and other assumptions which were taken into account in planning;
- 4) a detailed description of the activities planned for the period of the term of office and the planned implementation dynamics, indicating in particular major changes to the current condition;
- 5) planned activities and infrastructural adjustments associated with the information system, internal policies and procedures, the internal control system and other functions supporting the main activities;
- 6) depending on the activities planned, an explanation of the possible needs for organisational adjustments and a detailed breakdown of the new organisational scheme indicating new key function holders in the credit institution;
- 7) the allocation of powers among the members of the management board, including the chairperson of the management board, and an explanation of changes to the current condition and possible changes to the management board; and
- 8) in the case of reappointment of the same person for the chairperson or a member of the management board, the work programme shall contain an analysis of divergence of the actual situation from the situation planned in the previous work programme with an explanation of the divergence.

(2) When compiling the work programme referred to in paragraph (1) of this Article, the candidate for a member of the management board of a credit institution shall take into consideration the credit institution's business strategy and financial plan. On this basis, the candidate for a member of the management board shall elaborate in detail the individual elements of the mandatory framework of the work programme for the candidate for the chairperson of the management board which are relevant for the realisation and effects of the activities planned within the scope of his/her future work and responsibilities.

*Under Article 9 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (1), after the words "work programme", the words "referred to in Article 13, paragraph (5), item (10) of this Decision" have been deleted.*

## **Interview**

### **Article 15**

(1) The Croatian National Bank may, pursuant to Article 39, paragraph (8) and Article 46, paragraph (8) of the Credit Institutions Act, invite a candidate for the chairperson or a member of the management board or supervisory board of a credit institution for an interview for the purpose of obtaining additional information as well as verifying the received information or facts required for assessment and deciding on the application for prior approval.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall invite the candidate to the interview at least three working days in advance.

*Under Article 10 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December, in paragraph (1), before the words "the Croatian National Bank may, pursuant to Article 39, paragraph (8) and Article 46, paragraph (8) of the Credit Institutions Act", the words "In the process of deciding on granting the prior approval," have been deleted.*

### **Information updating**

#### **Article 16**

(1) A credit institution shall, at least once a year, not later than 30 June of the current year for the previous year, submit to the Croatian National Bank the updated information referred to in Article 13, paragraph (4) of this Decision for the chairperson and members of the management board and supervisory board, accompanied by a reasoned result of the regular suitability assessment carried out by the credit institution.

(2) By way of derogation from paragraph (1) of this Article, a credit institution shall immediately notify the Croatian National Bank of any change in the information referred to in Article 13, paragraph (4) of this Decision which might suggest that the candidate no longer meets the prescribed criteria, but not later than eight days after such a change is observed, and initiate the procedure of an extraordinary suitability assessment in accordance with Article 20, paragraph (5) of this Decision.

*Under Article 11 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraph (1) has been amended.*

*Under Article 11 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (2), the words "provided in the questionnaire" have been replaced by the words "referred to in Article 13, paragraph (4) of this Decision".*

### **Cooperation and exchange of information between the competent authorities**

#### **Article 17**

(1) Pursuant to Articles 208 and 212 of the Credit Institutions Act, the Croatian National Bank may, in the process of deciding on the application for granting prior approval to perform the function of the chairperson, a member of the management board and supervisory board, require from the competent authority any information that may be necessary to carry out the assessment of candidate suitability.

(2) The information referred to in paragraph (1) of this Article which the Croatian National Bank may require from another competent authority may include the result of the suitability assessment and statement of grounds for the decision, any identified shortcomings, the corrective measures taken, the position for which candidate assessment was carried out and the information on the size, scope and complexity of operations of the institution in which he/she performed this function.

(3) Where the Croatian National banks adopts a decision on the assessment of suitability of the candidate different from the assessment made by the competent authority referred to in paragraph (1) of this

Article, it shall notify that competent authority thereof.

#### **IV ASSESSMENT OF THE SUITABILITY OF KEY FUNCTION HOLDERS**

##### ***Key function holders***

##### **Article 18**

(1) A credit institution shall identify key functions in the credit institution in accordance with the nature, scope and complexity of its operations and its organisation.

(2) A credit institution shall consider as key function holders the persons responsible for the operation of control functions, the person authorised for the prevention of money laundering, the persons responsible for corporate and retail operations, the chief financial officer, the person responsible for the operation of the treasury, the procurator and other persons whose positions give them significant influence over the management of the credit institution, but who are not members of the management board or supervisory board.

(3) A credit institution's management board shall adopt and implement a policy for selecting and assessing the suitability of key function holders in the credit institution.

(4) A suitable key function holder shall be a person who:

- 1) is of good repute, honesty and integrity;
- 2) possesses adequate knowledge, skills and experience to meet the obligations falling within his/her competence;
- 3) is not in a conflict of interest in relation to the credit institution, shareholders, members of the supervisory board and management board and senior management of the credit institution, which may influence the independence of mind of that person;
- 4) is able to commit sufficient time to perform his/her function; and
- 5) meets the prescribed criteria for the performance of that function.

(5) The criteria set out in Title II of this Decision shall apply *mutatis mutandis* to the assessment of the fulfilment of the criteria for key function holders referred to in paragraph (4) of this Article. When assessing adequate knowledge, skills and experience of key function holders, the type of key function and area of responsibility of the key function holder shall be considered.

#### **V CONTENT OF A CREDIT INSTITUTION'S POLICY AND DYNAMICS OF THE SUITABILITY ASSESSMENT OF THE CHAIRPERSON AND MEMBERS OF THE MANAGEMENT BOARD, MEMBERS OF THE SUPERVISORY BOARD AND KEY FUNCTION HOLDERS**

##### ***Policy on the target structure of the management board and supervisory board***

##### **Article 19**

(1) A credit institution shall adopt and implement a policy on the target structure of the management board and supervisory board, with respect to the:

- 1) nature, scope and complexity of the credit institution's operations;
- 2) the credit institution's risk profile; and
- 3) the credit institution's business strategy.

(2) The policy referred to in paragraph (1) of this Article:

- 1) for the management board, shall be adopted by the management board, subject to the prior

approval of the supervisory board; and

2) for the supervisory board, shall be adopted at the credit institution's general meeting.

(3) A credit institution shall prescribe in detail in its policy on the target structure of the management board and supervisory board the criteria for the chairperson, members of the management board and supervisory board and key function holders, including:

- 1) their specific competence;
- 2) adequate knowledge, skills and experience required to meet the obligations falling within their competence;
- 3) induction and ongoing training requirements, their objectives, separately for the management board and supervisory board as a whole and for these boards' members individually, expert services responsible for the development of induction and ongoing training, the human and financial resources needed for their implementation and the procedure regulating the right of each member of the management board and supervisory board to request training;
- 4) sufficient time commitment requirement, including an analysis to be made by the credit institution to determine if the candidate can commit sufficient time to perform his/her function;
- 5) the situations, relationships and circumstances in which there is or might be a conflict of interest, the measures for eliminating conflicts of interest and measures for managing and mitigating any potential conflict of interest;
- 6) the requirements relating to the promotion of diversity of the management board and supervisory board; and
- 7) succession planning setting out the credit institution's plans, policies and processes for dealing with sudden or unexpected absences or departures of members of the management board or supervisory board.

(4) Prior to adopting a decision on the appointment of a candidate and implementing activities in accordance with Article 19 of this Decision, a credit institution shall make a list of short-listed candidates, taking into account diversity objectives determined under the policy referred to in item (6), paragraph (3) of this Article on the target structure of the management board and supervisory board of the credit institution. In exceptional cases, the credit institution shall not be required to make a list of short-listed candidates if it provides a satisfactory explanation why this is not possible.

(5) The appointment committee or the supervisory committee of a small and non-complex credit institution shall establish a succession plan for the appointment to the management board function to ensure continuity of decision-making and the functioning of the credit institution's management board. When establishing a succession plan, the objectives set out in the credit institution's policy for the promotion of diversity shall be considered.

(6) When assessing the good repute, honesty, integrity and conflict of interest, a credit institution shall make sure that the chairperson, members of the management and supervisory board and key function holders are in any event of good repute, and have honesty and integrity and that they are not in a conflict of interest that cannot be managed and it shall consider all the available information which may give rise to doubt as to the good repute, honesty and integrity and suggest to these persons' conflict of interest.

(7) The supervisory board and, where applicable, the appointment committee, shall, in cooperation with the human resources management function, actively participate in the selection of candidates for the functions in the management board of a credit institution.

### ***Requirements regarding the suitability assessment procedure***

#### **Article 20**

(1) A credit institution shall, prior to submitting an application to the Croatian National Bank pursuant to the provisions of Articles 39, 40 and 46 of the Credit Institutions Act, carry out the suitability assessment

for each candidate for the chairperson, member of the management board and supervisory board.

(2) A credit institution shall carry out the suitability assessment for each candidate for a key function holder in a credit institution before his/her appointment to that function. Exceptionally, a credit institution may carry out the suitability assessment for a key function holder after his/her appointment, where the circumstances of the appointment have not allowed a prior suitability assessment to be carried out. In such a case, the credit institution shall carry out the suitability assessment of a key function holder within six weeks from the appointment date. Where a credit institution establishes that a candidate for a key function holder is not suitable, such a candidate may not be appointed.

(3) A credit institution shall, at least once a year, carry out a regular reassessment of the suitability of the chairperson and members of the management board and supervisory board and key function holders in the credit institution, in order to verify their ongoing suitability for performing their functions.

(4) When performing regular annual suitability assessments of the chairperson, individual members of the management board and supervisory board, a credit institution shall take into account the suitability of the management board and supervisory board as a whole.

(5) A credit institution shall carry out without delay an extraordinary suitability assessment of the chairperson, member of the management board and supervisory board or a key function holder when the circumstances occur which give rise to doubt as to individual or collective suitability and particularly in an event or situation that has or may have a material impact on the good repute, honesty, integrity or any other criteria for suitability assessment, including the cases where a member of the management or supervisory board or key function holder is found to be in a conflict of interest that cannot be managed and in the case of a change in these persons' scope of tasks and area of competence.

(6) Where there are reasonable grounds to suspect that money laundering or terrorist financing has been or is being committed or attempted or there is an increased risk thereof, a credit institution shall carry out without delay an extraordinary suitability assessment of the chairperson, a member of the management board and supervisory board or a key function holder, in particular in the following situations:

- 1) the credit institution has not implemented appropriate internal controls or systems to manage, monitor and mitigate money laundering and terrorist financing risks (e.g. identified by supervisory findings from on-site or off-site examinations, other supervisory activities or in the course of proceedings for imposing administrative sanctions);
- 2) the credit institution has breached its obligations related to the prevention of money laundering and terrorist financing in the Republic of Croatia or in a host Member State in which it provides services directly or through a branch or in a third country in which it operates through a branch; or
- 3) the credit institution has materially changed its business activity or business model in a manner that suggests that its exposure to money laundering and terrorist financing risks has significantly increased.

(7) Instead of a full scope suitability assessment, the procedure referred to in the previous paragraph of this Article shall allow for a partial assessment of the impact of the change in circumstances on the suitability of the chairperson, member of the management board and supervisory board or key function holder.

(8) The Croatian National Bank may carry out an extraordinary suitability assessment of the chairperson of the management board, a member of the supervisory board or key function holder if the credit institution fails to carry out an extraordinary suitability assessment in accordance with paragraphs (5) and (6) of this Article or if the Croatian National Bank becomes aware of new facts or circumstances that may have a significant impact on the good repute, honesty and integrity or some other criterion on the basis of which the suitability assessment is carried out. The extraordinary suitability assessment shall be carried

out only in relation to these new facts or circumstances, i.e. in connection to the criteria for membership in the management board or supervisory board on which they have a significant impact.

(9) Where the Croatian National Bank after the extraordinary suitability assessment establishes that the chairperson of the management board, a member of the management board or a member of the supervisory board no longer meets the criteria for membership in the management board or supervisory board, it shall revoke the decision granting prior approval to perform the function of the chairperson of the management board, a member of the management board or a member of the supervisory board in accordance with Articles 44 and 47 of the Credit Institutions Act.

(10) By way of derogation from paragraph (9) of this Article, where the extraordinary suitability assessment establishes shortcomings in the suitability of the chairperson of the management board, a member of the management board or a member of the supervisory board that can be remedied within a short period of time, the Croatian National Bank shall impose corrective measures on the credit institution to remedy the identified shortcomings.

*Under Article 12 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, after paragraph (5), a new paragraph (6) has been inserted and the former paragraphs (6) to (9) have become paragraphs (7) to (10).*

*Under Article 12 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (7), which has become paragraph (8), the words "paragraph (5)" have been replaced by the words "paragraphs (5) and (6)".*

*Under Article 12 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (9), which has become paragraph (10), the words "paragraph (8)" have been replaced by the words "paragraph (9)".*

#### **Activities following the suitability assessment procedure and credit institution's corrective measures**

##### **Article 21**

(1) A credit institution shall propose as a candidate for the chairperson or a member of the management board or supervisory board, or appoint as a key function holder, a person whom it has assessed as suitable.

(2) Should a credit institution establish, in the procedure of regular or extraordinary assessment of the suitability of the chairperson or a member of the management board or supervisory board, that the chairperson or a member of the management board or supervisory board is no longer suitable, it shall replace this person. Should a credit institution conclude that the suitability shortcomings are not serious and that they can be remedied in the short term, the credit institution may take appropriate corrective measures to restore the suitability of that person, unless such shortcomings are estimated to be such that the person does not meet the criteria of good repute, honesty and integrity and may not be remedied by corrective measures.

(3) In the case referred to in paragraph (2) of this Article, a credit institution shall, within eight working days from the date of completion of the assessment procedure, notify the Croatian National Bank of the

results of the assessment, its decision and corrective measures it has decided to take in order to restore the suitability of the person, or a decision to replace him/her by a new candidate. The credit institution shall state the reasons for the results of the assessment and its decision.

(4) Should a credit institution, in the procedure of regular or extraordinary suitability assessment, conclude that a key function holder in a credit institution is no longer suitable it shall replace him/her. Should a credit institution conclude that the suitability shortcomings are not serious and can be easily remedied in a short term, the credit institution may take appropriate corrective measures to restore the suitability of the key function holder, unless such shortcomings are estimated to be such that the person does not meet the criteria of good repute, honesty and integrity and may not be remedied by corrective measures.

(5) Should a credit institution establish, based on the collective suitability assessment of the management board or supervisory board, shortcomings in collective suitability, it shall take corrective measures to remedy them in a timely manner and shall notify the Croatian National Bank thereof without delay.

(6) The corrective measures that a credit institution may take to remedy shortcomings in suitability may include the use of measures for mitigating or eliminating conflicts of interest, professional and further training of individual members of the management board or supervisory board or key function holders or the management or supervisory board as a whole, and other similar measures to ensure individual and collective suitability of the management board and supervisory board of the credit institution.

(7) A credit institution shall adequately document all suitability assessment procedures carried out for the chairperson, individual members of the management board and supervisory board and key function holders in a credit institution, including regular and extraordinary suitability assessment procedures.

(8) A credit institution shall oblige the chairperson, members of the management board and supervisory board and key function holders to notify the expert service referred to in Article 22, paragraph (1), item (1) of this Decision of any relevant event or circumstance having a material impact on their suitability for performing their functions, or to notify it, at least once a year, that the data underlying the initial suitability assessment have not changed.

### ***Policy on the suitability assessment procedure***

#### **Article 22**

- (1) A credit institution shall prescribe in its policy on the suitability assessment procedure at least:
- 1) an expert service responsible for carrying out the suitability assessment of the chairperson, members of the management board and supervisory board and key function holders in a credit institution;
  - 2) the suitability assessment procedure, including the time limits for the delivery of documentation, the time limits for and the method of carrying out the procedure, the manner of giving response by the assessed person and reporting on the results of the procedure;
  - 3) the information and documentation to be submitted by the chairperson, members of the management board and supervisory board and the key function holder to the credit institution for the assessment purposes;
  - 4) the situations, events and circumstances necessitating an extraordinary assessment of the suitability of members of the management board, supervisory board or the key function holder; and
  - 5) the form and method of keeping the documentation on a completed suitability assessment procedure.
- (2) A credit institution's management board shall, with a prior approval from the supervisory board, adopt and update the policy on the suitability assessment procedure referred to in paragraph (1) of this Article.
- (3) The compliance function shall analyse the manner in which the policy on the suitability assessment

procedure impacts a credit institution's compliance with regulations and its internal policies and shall notify the management board and supervisory board of any risks and non-compliance issues identified.

(4) A credit institution's supervisory board shall monitor the effectiveness of the policy on the suitability assessment procedure, its formulation and implementation.

(5) The policy on the suitability assessment procedure referred to in paragraph (1) of this Article shall be clear, well documented and available to all employees of the credit institution.

(6) A parent credit institution in a group of credit institutions in the RC shall adopt a policy on the suitability assessment on group level and ensure its implementation in all subsidiaries within the scope of prudential consolidation.

### ***Credit institution's suitability assessment procedure and decision on suitability***

#### **Article 23**

(1) The suitability assessment of a member of the supervisory board shall be carried out by the expert service referred to in Article 22, paragraph (1), item (1) of this Decision. Based on the results of the suitability assessment, the management board shall prepare a proposal of the decision on the suitability of a member of the supervisory board. The management board shall submit the proposal of the decision to the supervisory board or the appointment committee, if it is set up, for an opinion. The general meeting shall adopt a decision on the suitability of a member of the supervisory board based on the results of the suitability assessment and all the information required for adopting an independent and objective decision.

(2) The suitability assessment with a proposal of the decision on the suitability of the chairperson or a member of the management board shall be prepared by the expert service referred to in paragraph (1) of this Article. The management board shall submit the proposal of the decision to the supervisory board or the appointment committee, if it is set up, for an opinion. The decision on the suitability of the chairperson or a member of the management board shall be adopted by the supervisory board.

(3) The results of the suitability assessment with a proposal of the decision on the suitability of a key function holder shall be prepared by the expert service referred to in paragraph (1) of this Article. The management board shall adopt the decision on the suitability of a key function holder, with the exception of the persons responsible for the operation of control functions. The decision on the suitability of the person responsible for the operation of the control function shall be adopted by the supervisory board.

### ***Assessment of collective suitability***

#### **Article 24**

(1) When assessing collective suitability of the management board and supervisory board, a credit institution shall compare their current composition and collective knowledge, skills and work experience against the target collective suitability in accordance with Article 35 of the Credit Institutions Act and the target structure of the management and supervisory board determined by the policy referred to in Article 19 of this Decision. A credit institution shall also take into account the results of the assessment of suitability of individual members of the management board and supervisory board.

(2) A credit institution shall develop a methodology for collective suitability assessment of the management board and supervisory board.

(3) The general meeting shall adopt a decision on the collective suitability of the supervisory board. Article 23, paragraph (1) shall apply *mutatis mutandis* to the decision-making process related to this Decision.

(4) The general meeting shall adopt a decision on the collective suitability of the management board.

Article 23, paragraph (2) shall apply *mutatis mutandis* to the decision-making process related to this of the Decision are deleted.

- (5) A credit institution shall carry out collective suitability assessment at least in the following cases:
- 1) where the chairperson, a member of the management board or supervisory board is appointed for the first time;
  - 2) when these persons are reappointed;
  - 3) where his/her area of competence changed;
  - 4) where there were significant changes in the business model, risk appetite or risk strategy of the credit institution;
  - 5) where there were changes in the structure of the group;
  - 6) where there are reasonable grounds to suspect that money laundering or terrorist financing has been or is being committed or attempted or there is an increased risk thereof, in particular in the situations described in Article 20, paragraph (6) of this Decision; and
  - 7) in any other case that may have a significant impact on the collective suitability of the management board or supervisory board.

*Under Article 13 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, after item (5), the word "and" has been deleted and a new item (6) has been inserted, and the former item (6) has become item (7).*

### ***Diversity of the management board and supervisory board***

#### **Article 25**

(1) When appointing the members of the management board and supervisory board, a credit institution shall ensure sufficient diversity of their structure.

(2) A credit institution shall adopt a policy promoting diversity of the management board and supervisory board that enables a broader set of knowledge, skills and work experience of candidates for the appointment to the function of members of the management board and supervisory board to achieve a variety of views and experiences with the aim of facilitating a higher level of independent opinions that the members of the management board and supervisory board have to have to perform their duties.

(3) A credit institution's diversity policy shall take into account the following diversity aspects:

- 1) education;
- 2) professional experience;
- 3) gender;
- 4) age; and
- 5) geographical provenance, where applicable.

(4) A significant credit institution shall in a meaningful way quantify the targeted participation of the underrepresented gender in the management board and supervisory board and determine the strategy and timeframe within which the target should be met. In the context of regular suitability assessment of the management board and supervisory board, a significant credit institution shall assess its compliance against the target relating to the number of the underrepresented gender and if the target has not been met, it shall provide an explanation of the reasons for not meeting the target, the measures it will take and the timeframe within which the target will be met.

(5) When assessing adequate diversity of the management board and supervisory board, the Croatian National Bank shall take into account the nature, scope and complexity of operations of the credit institution and the risks to which it is or might be exposed. In this assessment, the Croatian National Bank

shall take into account, among others, diversity aspects in relation to the knowledge, skills and experience required.

*Under Article 14 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, paragraphs (3) and (4) have been amended.*

### **Induction and ongoing training**

#### **Article 26**

(1) A credit institution shall provide for the induction of the chairperson, members of the management board and supervisory board appointed for the first time to a function in that credit institution within six months of the date of their appointment to facilitate their understanding of the structure, business model, risk profile and governance arrangements of the credit institution and their role in the credit institution, as well as to remedy any shortcomings identified when assessing the candidate's suitability.

(2) A credit institution shall adopt a policy and determine the procedure for the induction and ongoing training of the chairperson, members of the management board and supervisory board, to ensure lasting suitability of their knowledge.

(3) A credit institution shall review the policies, procedures and plans for the induction and ongoing training and take into account any changes in governance arrangements, strategic changes, market developments, new products offered by the credit institution and other relevant changes and changes in the legislative framework.

(4) A credit institution shall ensure adequate human and financial resources for induction and ongoing training of the chairperson and members of the management board and supervisory board. When establishing the human and financial resources required, a credit institution may take into account available relevant banking industry benchmarks with respect to the costs needed for training, including the results of the benchmarks compiled by the European Banking Authority.

(5) A credit institution shall have in place a procedure for determining the business areas assessed to be in need of induction and ongoing training for the management board and supervisory board as a whole and members of the management board and supervisory board individually.

*Under Article 15 of the Decision on amendments to the 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 (Official Gazette 104/2022), which shall enter into force on 31 December 2022, in paragraph (1), after the words "and their role in the credit institution", the words "as well as to remedy any shortcomings identified when assessing the candidate's suitability" have been added.*

## **TRANSITIONAL AND FINAL PROVISIONS**

#### **Article 27**

(1) This Decision shall be published in the Official Gazette and shall enter into force on the eighth day after the day of its publication in the Official Gazette.

(2) Credit institutions shall harmonise their policies with this Decision by 1 June 2021 at the latest.

(3) The criteria relating to experience in force at the moment of their appointment shall apply to the chairperson of the management board, members of the management board and members of the supervisory board of credit institutions performing these functions at the moment of the entry into force of this Decision.

(4) As of the date of entry into force of this Decision, the 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 (Official Gazette 93/2018) shall cease to have effect.

(5) Applications received before the entry into force of this Decision shall be completed in accordance with the provisions of the regulations in force up to the entry into force of this Decision.

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Decision on amendments to the 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

(Official Gazette 104/2022)

#### **Article 16**

(1) In Article 1 of this Decision amending Article 3 of the Decision in the part adding item (13) in paragraph (2), the words "an amount equivalent to" are deleted on the date of introduction of the euro as the official currency of the Republic of Croatia.

(2) Applications received before the entry into force of this Decision shall be completed in accordance with the provisions of the regulations in force up to the entry into force of this Decision.

(3) This Decision shall be published in the Official Gazette and shall enter into force on 31 December 2022, with the exception of the provision of Article 1 of this Decision amending Article 3, paragraph (2) of the Decision and Article 8 of this Decision amending Article 13, paragraph (2) of the Decision, which shall enter into force on the date of introduction of the euro as the official currency of the Republic of Croatia.

#### **Article 17**

Appendices 1, 2 and 4 of the Decision are deleted.

The former Appendix 3 of the Decision becomes Appendix to the Decision and is amended as set out in the Appendix to this Decision. The Appendix to this Decision is an integral part of this Decision.

## APPENDIX

**A STATEMENT THAT THE CANDIDATE FOR THE CHAIRPERSON OR A MEMBER OF THE MANAGEMENT BOARD OR A MEMBER OF THE SUPERVISORY BOARD OF A CREDIT INSTITUTION HAS NOT COMMITTED A CRIMINAL OFFENCE OR MISDEMEANOUR, HAS NOT BEEN SUBJECT TO ADMINISTRATIVE SANCTIONS AND THAT NO CRIMINAL OFFENCE, MISDEMEANOUR OR SIMILAR PROCEEDINGS HAVE BEEN INITIATED AGAINST HIM/HER**

(Information provided in this Statement shall be considered to be a business secret of the Croatian National Bank.)

Name and surname: \_\_\_\_\_

1. Have you been convicted by a judgement with final force and effect of one or more criminal offences referred to in Article 25, paragraph (2), item (1), sub-item (i) of the Credit Institutions Act?

YES/NO

2. Have you been convicted by a judgement with final force and effect of any other criminal offence, including any predicate offence related to money laundering as defined in the regulations governing the prevention of money laundering and terrorist financing?

YES/NO

3. Have you been convicted by a judgement with final force and effect of any misdemeanour or to administrative sanctions?

YES/NO

4. Are you or have you been subject to any criminal proceedings, including all stages of the proceedings?

YES/NO

5. Are you or have you been subject to any misdemeanour or administrative sanction proceedings?

YES/NO

6. Has an investigation been initiated against you?

YES/NO

7. Have you been imposed a security or some other measure and have the competent supervisory authorities or courts initiated proceedings against you for irregularities or non-compliance with any of the regulations governing banking, financial or insurance activities or governing capital markets, securities or payment instruments, regulations governing the provision of financial services, consumer protection or any other relevant regulations?

YES/NO

8. Have you been notified by the Croatian National Bank or any other competent authority of its intention to initiate sanctioning proceedings or have you been negotiating with the Croatian National Bank or another competent authority the conditions of admitting guilt or the sanctions and measures to be imposed?

YES/NO

The questions cover all jurisdictions where you have lived.

If the answer to any of the above questions is affirmative, please elaborate and explain:

Place and date

Candidate's signature