CREDIT
INSTITUTIONS ACT

TITLE I
GENERAL PROVISIONS

Subject matter

Article 1

This Act governs the conditions for the establishment, operation and dissolution of credit institutions with head offices in the Republic of Croatia, the conditions under which legal persons with head offices outside the Republic of Croatia may provide banking and/or financial services in the Republic of Croatia, supervision of credit institutions, including supervisory powers and tools for the supervision of credit institutions by the Croatian National Bank and supervision of credit institutions by the Croatian National Bank in the manner aligned with the rules set out in Regulation (EU) No 575/2013, public disclosure requirements for the Croatian National Bank in the field of prudential regulation and supervision of credit institutions, rules and procedures governing the recovery of credit institutions, rules and oversight of consumer protection and rules and procedures for imposing administrative sanctions and periodic penalty payments.

Transposition and implementation of the legal acts of the European Union

Article 2

(1) This Act transposes into Croatian legislation the following acts of the European Union:

1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance) (OJ L 176, 27. 6. 2013);

2) Directive (EU) 2019/878 of the European Parliament and of 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) (OJ L 150, 7.6.2019);

3) Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (Text with EEA relevance) (OJ L 314, 5.12.2019);

4) Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (Text with EEA relevance) (OJ L 337, 23. 12.2015);

5) Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents (OJ L 44, 16.2.1989);

6) Directive 2014/49/EC of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (Text with EEA relevance) (OJ L 173, 12.6.2014);

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

8) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (OJ L 150, 7.6.2019);

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

10) Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and functioning of the European single access point (Text with EEA relevance) (OJ L 2023/2864, 20.12.2023);

11) Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (Text with EEA relevance) (OJ L 2024/1619, 19.6.2024);

12) Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions (Text with EEA relevance) (OJ L 2024/2994, 4.12.2024).

(2) This Act ensures the transposition into Croatian legislation of the following acts of the European Union:

1) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Text with EEA relevance) (OJ L 176, 27. 6. 2013), as last amended by Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets (Text with EEA relevance) (OJ L 2024/2987, 4. 12. 2024) (hereinafter referred to as 'Regulation (EU) No 575/2013');

2) Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Text with EEA relevance) (OJ L 158, 27.5.2014) (hereinafter referred to as 'Regulation (EU) No 537/2014');

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

4) Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (OJ L 141/1, 14.5.2014) (hereinafter referred to as 'Regulation (EU) No 468/2014');

5) Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014) (hereinafter referred to as 'Regulation (EU) No 806/2014');

6) Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 as last amended by Regulation (EU, Euratom) 2020/2223 of the European Parliament and of the Council of 23 December 2020 amending Regulation (EU, Euratom) No 883/2013, as regards cooperation with the European Public Prosecutor's Office and the effectiveness of the European Anti-Fraud Office investigations (hereinafter referred to as 'Regulation (EU, Euratom) No 883/2013').

Terms used in this Act

Article 3

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

1) '*banking secrecy*' means all information, facts and circumstances of which a credit institution becomes aware in the course of providing services to clients or in the course of business with individual clients;

2) '*immediate family member*' means:

a) the spouse or the person who, in accordance with a special law, has the status equivalent to that in a marriage, or a person who in accordance with the law governing life partnership of same-sex person entered into a life partnership or lives in an informal life partnership;

b) a parent and child of the person;

c) a child of the person referred to in sub-item (a) of this item;

d) another person without full legal capacity and under the custody of the person;

3) '*discretionary pension benefits*' means discretionary pension benefits as defined in Article 4, paragraph (1), item (73) of Regulation (EU) No 575/2013;

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

5) '*undertakings linked by management on a unified basis*' means undertakings which are not linked on a consolidated basis as defined in Article 4, paragraph (1), item (48) of Regulation (EU) No 575/2013, but are linked in one of the following ways:

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

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

c) the majority of their management or supervisory board members consists of the same persons;

6) '*subsidiary*' means subsidiary as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;

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

8) '*ancillary services undertaking*' means ancillary services undertaking as defined in Article 4, paragraph (1), item (18) of Regulation (EU) No 575/2013;

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

10) '*asset management company*' means an asset management company as defined in Article 4, paragraph (1), item (19) of Regulation (EU) No 575/2013;

11) '*Member State*' means a Member State of the European Union and a contracting party to the Agreement on the European Economic Area;

12) '*host Member State*' means host Member State as defined in Article 4, paragraph (1), item (44) of Regulation (EU) No 575/2013;

(13) *'outsourcing*' means an arrangement of any form between a credit institution and a service provider by which that service provider performs a process, service or activity that would otherwise be undertaken by the credit institution itself;

14) '*financial institution*' means a financial institution as defined in Article 4, paragraph (1), item (26) of Regulation (EU) No 575/2013;

15) '*leverage*' means leverage as defined in Article 4, paragraph (1), item (93) of Regulation (EU) No 575/2013;

16) '*financial holding company*' means a financial holding company as defined in Article 4, paragraph (1), item (20) of Regulation (EU) No 575/2013;

17) '*financial instrument*' means financial instrument as defined in Article 4, paragraph (1), item (50) of Regulation (EU) No 575/2013;

18) '*chief financial officer*' means the person with overall responsibility for the financial resources management, financial planning and financial reporting of a credit institution;

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

20) '*non-EU global systemically important credit institution*' (hereinafter referred to as 'non-EU G-SII') means a non-EU credit institution as defined in Article 4, paragraph (1), item (134) of Regulation (EU) No 575/2013;

21) '*global systemically important credit institution*' (hereinafter referred to as 'G-SII shall have the meaning as defined in Article 4, paragraph (1), item (136) of Regulation (EU) No 575/2013;

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

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

24) '*group of credit institutions*' means a group of credit institutions, investment firms and financial institutions of which at least one has the status of:

a) a parent credit institution;

2) a parent financial holding company having at least one subsidiary credit institution;

3) a credit institution which is linked with another legal person within the group of credit institutions by management on a unified basis referred to in item (5), sub-items (a) or (c) of this paragraph; or

d) a parent mixed financial holding company having at least one subsidiary credit institution;

25) '*group of credit institutions from another Member State*' means a group of credit institutions determined as such, within its competence, by the competent authority of another Member State;

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

27) '*group of credit institutions in the R*C' means credit institutions and financial institutions having their head office in the Republic of Croatia or in another country, within which at least one institution has the status defined in Article 135 of this Act;

28) '*group of connected clients*' means a group of connected persons as defined in Article 4, paragraph (1), item (39) of Regulation (EU) No 575/2013;

29) '*designated authority*' means the authority responsible for setting the countercyclical buffer rate, the systemic risk buffer rate and for identifying the exposures and subsets of credit institutions to which the systemic risk buffer applies., or the G-SII buffer rate or the O-SII buffer rate (hereinafter referred to as 'O-SII');

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

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

32) '*originator*' means an entity defined in Article 4, paragraph (1), item (13) of Regulation (EU) No 575/2013;

33) '*institution*' means the institution defined in Article 4, paragraph (1), item (3) of Regulation (EU) No 575/2013;

34) '*internal control functions*' means risk management, compliance and internal audit functions;

35) '*internal approaches*' means approaches based on the Internal Ratings Based Approach referred to in Article 143, paragraph (1), the Internal Models Approach referred to in Article 221, the Internal Assessment Approach referred to in Article 265, paragraph (2), the Internal Model Method referred to in Article 283 and the Alternative Internal Model Approach referred to in Article 325az of Regulation (EU) No 575/2013;

36) '*investment firm*' means the investment firm defined in Article 4, paragraph (1), item (2) of Regulation (EU) No 575/2013;

37) '*exposure secured by residential property*' or '*exposure secured by a mortgage on residential property*' means an exposure as defined in Article 4, paragraph (1), item 75e of Regulation 575/2013;

38) '*exposure secured by commercial immovable property*' or '*exposure secured by a mortgage on commercial immovable property*' means an exposure as defined in Article 4, paragraph (1), item 75d of Regulation 575/2013;

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

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

41) '*client*' means each persons who requested or received banking and/or financial services from the credit institution;

42) '*climate-neutrality*' means a general climate-neutrality objective to be achieved by 2050 as defined in Article 2, paragraph (1) of Regulation 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9. 7. 2021) (hereinafter referred to as 'Regulation (EU) 2021/1119');

43) '*trading book*' means a trading book as defined in Article 4, paragraph (1), item (86) of Regulation (EU) No 575/2013;

44) '*consolidating supervisor*' means a consolidating supervisor as defined in Article 4, paragraph (1), item (41) of Regulation (EU) No 575/2013;

45) '*consolidated basis*' means a consolidated basis as defined in Article 4, paragraph (1), item (48) of Regulation (EU) No 575/2013;

46) '*consolidated situation*' means a consolidated situation as defined in Article 4, paragraph (1), item (47) of Regulation (EU) No 575/2013;

47) '*control*' means control as defined in Article 4, paragraph (1), item (37) of Regulation (EU) No 575/2013;

48) '*credit institution*' means a credit institution as defined in Article 4, paragraph (1), item (1) of Regulation (EU) No 575/2013;

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

50) '*crypto-asset*' means a crypto-asset as defined in Article 3, paragraph (1), item (5) of Regulation (EU) 2023/1114 of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance) (OJ L 150/40, 9. 6. 2023, hereinafter referred to as 'Regulation (EU) 2023/11143') and not a central bank digital currency;

51) '*qualifying holding*' means a qualifying holding as defined in Article 4, paragraph (1), item (36) of Regulation (EU) No 575/2013;

52) '*less significant supervised entity*' means an entity as defined in Article 2, item (7) of Regulation (EU) No 468/2014;

53) '*less significant supervised group*' means a supervised group as defined in Article 2, item (23) of Regulation (EU) No 468/2014;

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

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

56) '*home Member State*' means the Member State as defined in Article 4, paragraph (1), item (43) of Regulation (EU) No 575/2013;

57) '*parent credit institution in a Member State*' means a parent institution in a Member State as defined in Article 4, paragraph (1), item (28) of Regulation (EU) No 575/2013;

58) '*EU parent institution'* means a parent institution as defined in Article 4, paragraph (1), item (29) of Regulation (EU) No 575/2013;

59) '*EU parent institution having its head office in the RC*' means an institution that meets the criteria referred to in Article 4, paragraph (1), item (29) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

60) '*parent credit institution in a Member State*' means a credit institution as defined in Article 4, paragraph (1), item (29c) of Regulation (EU) No 575/2013;

61) '*EU parent credit institution*' means a credit institution as defined in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013;

62) '*EU parent credit institution having its head office in the RC*' means a credit institution that meets the criteria referred to in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

63) '*RC parent credit institution*' means a credit institution that meets the criteria referred to in Article 4, paragraph (1), item (29c) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

64) '*parent investment firm in a Member State*' means an investment firm as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013;

65) '*EU parent investment firm*' means an investment firm as defined in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013;

66) '*EU parent investment firm having its head office in the RC*' means an investment firm that meets the criteria referred to in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

67) '*RC parent investment firm*' means an investment firm as defined in Article 4, paragraph (1), item (29d) of Regulation (EU) No 575/2013 having its head office in the Republic of Croatia;

68) '*parent financial holding company in a Member State*' means a parent financial holding company in a Member State as defined in Article 4, paragraph (1), item (30) of Regulation (EU) No 575/2013;

69) '*EU parent financial holding company*' means a parent financial holding company as defined in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013;

70) '*EU parent financial holding company having its head office in the RC*' means a financial holding company that meets the criteria referred to in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

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

72) '*parent mixed financial holding company in a Member State*' means a parent mixed financial holding company in a Member State as defined in Article 4, paragraph (1), item (32) of Regulation (EU) No 575/2013;

73) '*EU parent mixed financial holding company*' means an EU parent mixed financial holding company as defined in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013;

74) '*EU parent mixed financial holding company having its head office in the RC*' means a mixed financial holding company that meets the criteria referred to in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013 and has its head office in the Republic of Croatia;

75) '*RC parent mixed financial holding company*' means a mixed financial holding company which is not itself a subsidiary of a credit institution or an investment firm authorised in the Republic of Croatia, or of a

financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent mixed financial holding company;

76) '*parent undertaking*' is a parent undertaking as defined in Article 4, paragraph (1), item (15) of Regulation (EU) No 575/2013;

77) '*mixed financial holding company*' means a mixed financial holding company as defined in Article 4, paragraph (1), item (21) of Regulation (EU) No 575/2013;

78) '*mixed-activity holding company*' means a mixed-activity holding company as defined in Article 4, paragraph (1), item (22) of Regulation (EU) No 575/2013;

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

80) '*national competent authority*' means a national competent authority as defined in Article 2, item (2) of Regulation (EU) No 1024/2013, and in the Republic of Croatia, the national competent authority is the Croatian National Bank;

81) '*national designated authority*' means an authority as defined in Article 2, item (2) of Regulation (EU) No 1024/2013, and in the Republic of Croatia, the national designated authority is the Croatian National Bank;

82) '*national reference rate of the average cost of financing the Croatian banking sector*' (hereinafter referred to as 'NRR') is the rate of the average cost of funding of the Croatian banking sector (banks and savings banks) given the reference period under review, the type of source and the relevant currency, i.e. the NRR is the average interest rate paid by the banking sector to obtain the funds necessary for credit operations;

83) '*competent authority*' means a competent authority as defined in Article 4, paragraph (1), item (40) of Regulation (EU) No 575/2013;

84) '*supervised entity*' means an entity as defined in Article 2, item (20) of Regulation (EU) No 468/2014;

85) '*supervised group*' means a group as defined in Article 2, item (21) of Regulation (EU) No 468/2014;

86) '*key function holders*' means persons that have significant influence over the direction of the credit institution but who are not members of the management body, including heads of internal control functions and chief financial officers unless they are members of the management bodies;

87) '*responsible persons*' means:

a) a member of the management board responsible for the area of business to which the committed breach relates, a member of the supervisory board, senior management, a key function holder and other staff whose professional activities have a material impact on the institution's risk profile as specified in Article 92, paragraph (3) of Directive 2013/36/EU;

b) a responsible person authorised to represent a credit institution from a Member State in the operation of a branch;

b) responsible persons in a third-country branch, including the persons referred to in Article 79, paragraph (5) and (7) of this Act, senior management, key function holders and other members of staff of the third-country branch whose professional activities have a material impact on the third-country branch as laid down in Article 92, paragraph (3) of Directive 2013/36/EU;

88) '*authorisation*' means authorisation as defined in Article 4, paragraph (1), item (42) of Regulation (EU) No 575/2013;

89) '*environmental, social and governance risk*' or 'ESG risk' means environmental, social and governance risk as defined in Article 4, paragraph (1), item (52d) of Regulation (EU) No 575/2013;

90) '*operational risk*' means operational risk as defined in Article 4, paragraph (1), item (52) of Regulation (EU) No 575/2013;

91) '*periodic penalty payments*' means a periodic pecuniary enforcement measure aimed at ending ongoing breaches of this Act or national provisions transposing Directive 2013/36/EU, breaches of Regulation (EU) No 575/2013 or breaches of decisions taken by a competent authority on the basis of those provisions or Regulation (EU) No 575/2013 and compelling the natural or legal person to return to compliance with the infringed provisions or decisions;

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

93) '*branch*' means a branch as defined in Article 4, paragraph (1), item (17) of Regulation (EU) No 575/2013;

94) '*ancillary services*' means ancillary and support services in relation to authorised banking or core and additional financial services, such as data processing services, asset management and operational and ancillary services closely linked to payment services regulated by a law governing the payment system:

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

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

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

c) a person who is an immediate family member of a direct holder;

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

97) '*sub-consolidated basis*' means a sub-consolidated basis as defined in Article 4, paragraph (1), item (49) of Regulation (EU) No 575/2013;

98) '*consumer*' means a person as defined in the act governing general consumer protection;

99) '*representative office of a credit institution*' means a legally dependent part of a credit institution which may only carry out activities related to market research, representation and advertising of the credit institution which established it and the providing of information on the credit institution which established it;

100) '*eligible capital*' means the capital as defined in Article 4, paragraph (1), item (71) of Regulation (EU) No 575/2013;

101) '*countercyclical capital buffer*' means the own funds that a credit institution is required to maintain in accordance with Title XVIII, Chapter III of this Act, calculated with respect to each credit institution;

102. '*service provider*' means a third-party entity that is undertaking an outsourced process, service or activity, or parts thereof, under an outsourcing arrangement;

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

104) '*distributions*' means a distribution as defined in Article 4, paragraph (1), item (110) of Regulation (EU) No 575/2013;

105) '*common equity tier 1 capital*' means the capital as defined in Article 50 of Regulation (EU) No 575/2013;

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

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

108) '*model risk*' means model risk as defined in Article 4, paragraph (1), item (52b) of Regulation (EU) No 575/2013;

109) '*risk of excessive leverage*' means the risk of excessive leverage as defined in Article 4, paragraph (1), item (94) of Regulation (EU) No 575/2013;

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

111) '*stand-alone credit institution in the European Union*" means a credit institution that is not subject to prudential consolidation in the European Union pursuant to Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013 and that does not have a parent undertaking in the European Union that is subject to prudential consolidation;

112) '*resolution authority*' means a resolution authority as defined in Article 2, paragraph (1), item (18) of Directive 2014/59/EU;

113) '*securitisation*' means securitisation as defined in Article 4, paragraph (1), item (61) of Regulation (EU) No 575/2013;

114) '*securitisation position*' means securitisation position as defined in Article 4, paragraph (1), item (62) of Regulation (EU) No 575/2013;

115) '*securitisation special purpose entity*' means a securatisation special purpose entity as defined in Article 4, paragraph (1), item (66) of Regulation (EU) No 575/2013;

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

117) '*systemic risk referred to in Title XVIII, Chapter VI of this Act*' means a long-term non-cyclical systemic or macroprudential risk or the risk arising from the structure and organisation of the financial system;

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

119) '*credit risk mitigation*' means credit risk mitigation as defined in Article 4, paragraph (1), item (57) of Regulation (EU) No 575/2013;

120) '*institution-specific countercyclical buffer rate*' means the rate that a specific credit institution calculates under the rules set out in Article 235 of this Act to calculate a countercyclical capital buffer;

121) '*sponsor*' means a sponsor as defined in Article 4, paragraph (1), item (14) of Regulation (EU) No 575/2013;

122) '*central counterparty*' means a central counterparty as defined in Article 4, paragraph (1), item (34) of Regulation (EU) No 575/2013;

123) '*central banks*' means central banks as defined in Article 4, paragraph (1), item (46) of Regulation (EU) No 575/2013;

124) '*ESCB central banks*' means the central banks of the European System of Central Banks as defined in Article 4, paragraph (1), item (45) of Regulation (EU) No 575/2013;

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

126) '*financial sector entity*' means a financial sector entity as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013;

127) '*participation*' means participation as defined in Article 4, paragraph (1), item (35) of Regulation (EU) No 575/2013;

128) '*associate of a person convicted of a criminal offence prosecuted ex officio*' (hereinafter referred to as 'associate') means:

a) any natural person who is a management or supervisory board member in a legal person or the beneficial owner of a legal person convicted of a criminal offence prosecuted *ex officio*;

b) any natural person who is the beneficial owner of the legal entity in which the person convicted of a criminal offence prosecuted ex officio is a management of supervisory board member;

c) any natural person who has joint beneficial ownership of a legal entity with a person convicted of a criminal offence prosecuted *ex officio*;

129. '*savings bank*' means a credit institution authorised in accordance with this Act as a savings bank and established as a joint stock company which has its head office in the Republic of Croatia;

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

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

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

133) '*third country*' means a country that is not a Member State;

134) '*total risk exposure amount*' means the total risk exposure amount calculated in accordance with Article 92, paragraph (3), subparagraph (1) of Regulation (EU) No 575/2013;

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

136) '*management body in its supervisory function*' means the management body acting in its role of overseeing and monitoring management decision-making; for credit institutions in the Republic of Croatia this is a supervisory board;

137) '*management body in its management function*' means the management body that directs the credit institution and that includes persons who effectively direct the business of the institution; for credit institutions in the Republic of Croatia this is the management board;

138) '*regulated market*' means a regulated market as defined in Article 4, paragraph (1), item (92) of Regulation (EU) No 575/2013;

139) '*close links*' means close links as defined in Article 4, paragraph (1), item (38) of Regulation (EU) No 575/2013;

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

141) '*external credit assessment institution*' means an external credit assessment institution as defined in Article 4, paragraph (1), item (98) of Regulation (EU) No 575/2013;

142) '*large credit institution*' means a large credit institution as defined in Article 4, paragraph (1), item (146) of Regulation (EU) No 575/2013;

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

144) '*large subsidiary*' means a large subsidiary as defined in Article 4, paragraph (1), item (147) of Regulation (EU) No 575/2013;

145) '*senior management*' means those natural persons who exercise executive functions within a credit institution and who are directly accountable to the management body, and who are responsible for the day-to-day management of the credit institution under the direction of its management body;

146. '*heads of internal control functions*' means the persons at the highest hierarchical level responsible for effectively managing the day-to-day operation of internal control functions of a credit institution;

147) '*property value*' means property value as defined in Article 4, paragraph (1), item (74a) of Regulation (EU) No 575/2013;

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

a) a countercyclical capital buffer;

b) a G-SII buffer;

c) an O-SII buffer;

d) a systemic risk buffer;

149) '*G-SII buffer*' means the own funds that G-SIIs are required to maintain in accordance with Article 244 of this Act;

150) '*capital conservation buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 226 of this Act;

151) '*O-SII buffer*' means the own funds that O-SIIs are required to maintain in accordance with Article 246 of this Act;

152) '*systemic risk buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 239 of this Act;

153) '*significant supervised group*' means a group as defined in Article 2, item (22) of Regulation (EU) No 468/2014;

154) '*significant supervised entity*' means an entity as defined in Article 2, item (16) of Regulation (EU) No 468/2014;

155) '*material subsidiary*' means a subsidiary as defined in Article 4, paragraph (1), item (135) of Regulation (EU) No 575/2013.

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

(3) The entities referred to in Article 2, paragraph (5), items (3) to (23) of Directive 2013/36/EU, for the purposes of implementation of Title IX and Title XI, Chapter IX of this Act, shall be deemed financial institutions.

(4) Reference to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance) (OJ L 176, 27. 6. 2013) (hereinafter referred to as 'Directive 2013/36/EU') in this Act shall be taken to mean reference to Directive 2013/36/EU as last amended by Directive (EU) 2024/2994 of the European Parliament and of the Council of 27 November 2024 amending Directives 2009/65/EC, 2013/36/EU and (EU) 2019/2034 as regards the treatment of concentration risk arising from exposures towards central counterparties and of counterparty risk in centrally cleared derivative transactions (Text with EEA relevance) (OJ L, 2024/2994, 4. 12. 2024).

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

Application of the provisions of the law governing companies

Article 4

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

TITLE II
REGULATORY FRAMEWORK AND SUPERVISION OF CREDIT INSTITUTIONS

Credit institution

Article 5

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

(2) For the purposes of this Act, the term 'credit institution', where not further qualified by the words 'from a Member State' or 'from a third country', means a credit institution which has its head office in the Republic of Croatia and is authorised in accordance with this Act.

(3) By way of derogation from paragraph (2) of this Article, the term 'credit institution', within the meaning of the provisions of this Title, shall apply to each credit institution irrespective of the country in which it has its head office, and the term 'subsidiary credit institution', within the meaning of the provisions of Title XI, Chapter IX of this Act shall apply to each credit institution which is a subsidiary credit institution irrespective of the country in which the credit institution has its head office.

Use of name in legal transactions

Article 6

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

1) a legal person authorised in accordance with this Act to operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013;

2) a credit institution that has established a branch in the Republic of Croatia in accordance with Articles 66 or 70 of this Act;

3) a credit institution directly providing services in the Republic of Croatia in accordance with Article 67 of this Act;

4) a member of a group of credit institutions; and

5) representative offices of credit institutions with head offices outside the Republic of Croatia to carry out activities within the territory of the Republic of Croatia.

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

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

(4) A credit institution from another Member State that has established a branch or provides services indirectly in the Republic of Croatia, as well as a third-country credit institution that has established a branch in accordance with Article 70 of this Act, may use the same firm name it uses in the parent Member State or third country.

(5) By way of derogation from paragraph (4) of this Article, when there is already a credit institution operating in the Republic of Croatia under the same or similar name, the Croatian National Bank may instruct the credit institution from another Member State that has established a branch or directly provides services in the Republic of Croatia, or a third-country credit institution that has established a branch pursuant to Article 70 of this Act to supplement the firm name for the purposes of clarification.

Advertising

Article 7

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

Croatian National Bank competence

Article 8

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

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

(3) The Croatian National Bank shall be the designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 and Article 249 of this Act in the part related to the adoption of measures associated with credit institutions.

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

(5) The Ministry of Finance shall notify the European Commission and the Croatian National Bank shall notify the European Banking Authority about Croatian National Bank competencies under this Article.

Cooperation within the European System of Financial Supervision

Article 9

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

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

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

3) make every effort to comply with the guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331/12, 15. 12. 2010) (hereinafter referred to as 'Regulation (EU) No 1093/2010'), including the adoption of subordinate legislation, internal procedures or supervisory expectations; and

4) respond to the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331/1, 24. 11. 2010) (hereinafter referred to as 'Regulation (EU) No 1092/2010'); and

5) cooperate closely with the European Systemic Risk Board.

(2) National powers conferred under other laws to the Croatian National Bank shall not prevent the Croatian National Bank from carrying out its duty as a member of the European Banking Authority and the European Systemic Risk Board or its duties under this Act and Regulation (EU) No 575/2013.

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

(4) For the purposes of carrying out the duty referred to in paragraph (1), item (3) of this Article, the Croatian National Bank shall have the power to adopt subordinate legislation to specify the manner, time limits and the scope of the obligation of action to be taken by credit institutions with respect to individual provisions of a guideline or a recommendation issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010.

Single Supervisory Mechanism

Article 10

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

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

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

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

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

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

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

TITLE III
PROVISION OF BANKING AND/OR FINANCIAL SERVICES

CHAPTER I
PROVISION OF BANKING SERVICES

Banking services

Article 11

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

(2) Unless otherwise provided for in this Act, deposit means a deposit as defined in the law governing the deposit insurance scheme.

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

1) taking deposits or other repayable funds explicitly governed by regulations of the Republic of Croatia or European Union law, provided that such activities are subject to regulations and controls aimed at protecting depositors and investors;

2) receipts of funds by the Republic of Croatia and other Member States, by regional or local authorities of the Republic of Croatia or of other Member States, or by public international bodies of which one or more Member States are members or in cases explicitly stated in the national legislation or European Union law, provided they are subject to the legal framework and oversight aimed at protecting deposits and investors;

3) taking deposits from its members by a credit union;

4) receipts from the issuance of debt securities by a legal person, other than a credit institution, by which it finances its core activities, provided its core activity is not the granting of credits.

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

1) credit institutions with head offices in the Republic of Croatia authorised in accordance with this Act;

2) credit institutions from other Member States that have established branches within the territory of the Republic of Croatia in accordance with this Act or that have been authorised to provide banking services directly within the territory of the Republic of Croatia; and

3) branches of third-country credit institutions (hereinafter referred to as 'third-country branch' authorised by the Croatian National Bank to provide banking services within the territory of the Republic of Croatia.

(5) Persons other than those referred to in paragraph (4) of this Article shall be prohibited from taking deposits or other repayable funds from the public in the Republic of Croatia.

(6) Where, in the course of exercising the tasks within its competence, the Croatian National Bank establishes facts and circumstances indicating that deposits or other repayable funds from the public are being received by persons other than those referred to in paragraph (4) of this Article, it shall notify a State Attorney's Office or another supervisory authority without delay.

(7) The Croatian National Bank shall, within a month of their publication in the Official Gazette, notify the European Commission and the European Banking Authority of laws explicitly allowing undertakings other than credit institutions to carry out the business of taking deposits and other repayable funds from the public.

Core and additional financial services

Article 12

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

1) taking deposits or other repayable funds;

2) lending including, *inter alia*, consumer credit and loans, credit/loan agreements relating to immovable property, mortgage credit and loans, factoring, with or without recourse, financing of commercial transactions, including export financing based on the purchase at a discount without recourse of non-current, non-matured receivables collateralised with a financial instrument (forfeiting);

3) financial leasing;

4) payment services in accordance with special regulations governing the payment system;

5) issuing of other means of payment and their management, such as traveller's cheques and bank drafts, where the provision of such services is not deemed the provision of a payment service under regulations governing the payment system;

6) issuance of guarantees and other commitments;

7) trading for own account in:

a) money market instruments (e.g. cheques, bills of exchange, certificates of deposit);

b) foreign exchange, including currency exchange transactions;

c) financial futures and options;

d) exchange and interest-rate instruments;

e) transferable securities;

8) trading for the account of clients in:

a) money market instruments (e.g. cheques, bills of exchange, certificates of deposit);

b) foreign exchange, including currency exchange transactions;

c) financial futures and options;

d) exchange and interest-rate instruments;

e) transferable securities;

9) participation in securities issues and the provision of services related to such issues;

10) advice to legal persons on capital structure, business strategy and related issues as well as the provision of advice and services relating to business mergers and acquisitions and purchases of legal persons;

11) money broking;

12) portfolio management and advice;

13) safekeeping and administration of securities;

14) credit reference services;

15) safe custody services;

16) issuing of electronic money, including e-money tokens;

17) issuance of asset-referenced tokens;

18) crypto-asset services; and

19) investment and ancillary services and activities prescribed by the law governing the capital market and not included in services referred to in items (1) to (18) of this paragraph, and which relate to one or more financial instruments:

a) reception and transmission of orders;

b) execution of orders on behalf of clients;

c) trading for own account;

d) portfolio management;

e) investment advice;

f) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;

g) placing of financial instruments without a firm commitment basis;

h) multilateral trading platform management (MTP); and

i) organised trading platform management (OTP).

(2) For the purposes of this Act, additional financial services are as follows:

1) activities related to distribution of insurance in accordance with the regulations governing insurance;

2) payment systems management services in accordance with the provisions of a special law;

3) other services which a credit institution may provide in accordance with the provisions of a special law;

4) trading in gold for own account and for the account of a client, including intermediation in gold trading;

5) the services of data submission in accordance with the regulations governing the capital market;

6) other intermediation not covered by items of this Article; and

7) other services or activities that are, in terms of the manner of the provision and risk to which a credit institution is exposed, similar to core financial services referred to in paragraph (1) of this Article and listed in the credit institution's authorisation.

Mutually recognised services

Article 13

(1) For the purposes of this Act, mutually recognised services are:

1) mutually recognised banking services, and

2) mutually recognised financial services.

(2) Mutually recognised banking services are the services referred to in Article 11 of this Act.

(3) Mutually recognised financial services are the services referred to in Article 12, paragraph (1) of this Act.

CHAPTER II
AUTHORISATIONS TO PROVIDE BANKING AND/OR FINANCIAL SERVICES

Authorisation

Article 14

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

(2) A credit institution shall obtain authorisation before commencing its operations and entry in the register of companies in accordance with this Act.

(3) A credit institution shall not carry out any other activity other than the provision of banking and financial services for which it has been authorised by the competent authority, and ancillary services.

(4) The authorisation shall include authorisation to provide banking services.

(5) By way of derogation from paragraphs (3) and (4) of this Article, a credit institution intending to provide an additional financial service referred to in Article 12, paragraph (2), item (2) of this Act for which authorisation is not required in accordance with a special law, or a service of intermediation and consulting in accordance with the law governing consumer credit and consumer housing credit, may provide that service without obtaining authorisation to provide that additional financial service and may enter that service in the register of companies.

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

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

2) when the average of its monthly total assets, calculated over a period of 12 consecutive months, is less than EUR 30 billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in the group established in the European Union, including all their branches and subsidiaries established in a third country that individually have total assets of less than EUR 30 billion and that carry out any of the activities referred to in Section A, items (3) and (6) of Annex I of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) (Text with EEA relevance) (OJ L 173, 12. 6. 2014) (hereinafter referred to as 'Directive 2014/65/EU') or national regulations of Member States transposing

Directive 2014/65/EU is equal to or exceeds EUR 30 billion, both calculated as an average over a period of 12 consecutive months.

(7) Based on the information received from the Croatian Financial Services Supervisory Agency, the Croatian National Bank shall notify the undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No established in the Republic of Croatia that it has to apply for the authorisation referred to in paragraph (1) of this Article and specify the time limit by which it has to submit such an application, and notify the Croatian Financial Services Supervisory Agency thereof.

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

(9) By way of derogation from paragraph (6) of this Article, the undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 established in the Republic of Croatia may submit to the Croatian National Bank an application for exemption from the obligation to obtain the authorisation referred to in paragraph (1) of this Article.

(10) The Croatian National Bank shall conduct the authorisation procedure in a simplest possible manner and shall, to the extent possible, utilize the information from the existing authorisations.

(11) Upon receipt of the application referred to in paragraph (9) of this Article, the Croatian National Bank shall notify the European Banking Authority.

(12) The European Banking Authority shall issue, within a month of receiving the notification from the Croatian National Bank referred to in paragraph (11) of this Article, an opinion on the application referred to in paragraph (9) of this Article.

(13) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 established in the Republic of Croatia may be exempted, based on the received application referred to in paragraph (9) of this Article and information obtained from the Croatian Financial Services Supervisory Agency, from the obligation to obtain the authorisation referred to in paragraph (1) of this Article, taking into account the following criteria:

1) if the undertaking is a part of a group, the organisational structure of the group, prevailing accounting policies within the group and the distribution of assets between group entities;

2) the nature, size and complexity of the activity carried out by the undertaking in the Republic of Croatia and European Union as a whole:

3) the importance and the systemic risk they pose to the activity carried out by the undertaking in the Republic of Croatia and European Union as a whole.

(14) When drawing up a draft decision on exemption from the obligation to obtain the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the opinion of the European Banking Authority referred to in paragraph (12) of this Article.

(15) If the decision on exemption is different from the opinion of the European Banking Authority, the decision shall specify the reasons for this divergence.

(16) The decision on exemption shall be delivered to the undertaking referred to in paragraph (9) of this Article and to the European Banking Authority.

(17) The Croatian National Bank shall review every three years if the undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has been issued a decision on exemption under paragraph (16) of this Article meets the criteria for exemption referred to in paragraph (13) of this Article.

Application for authorisation

Article 15

(1) The applicant for authorisation shall submit the following:

1) an application for authorisation and the information and documentation laid down in Commission Delegated Regulation (EU) 2022/2580 of 17 June 2022 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the information to be provided in the application for the authorisation as a credit institution, and specifying the obstacles which may prevent the effective exercise of supervisory functions of competent authorities (OJ L 225, 29. 12. 2022) and Commission Implementing Regulation (EU) 2022/2581 of 20 June 2022 laying down implementing technical standards for the application of Directive 2013/36/EU of the European Parliament and of the Council with

regard to provision of information in applications for authorisation of a credit institution (OJ L 335, 29. 12. 2022);

2) where the applicant intends to provide a financial service, the application for authorisation to provide financial services referred to in Article 20 of this Act and the information and documentation laid down in subordinate legislation adopted pursuant to Article 20, paragraph (8) of this Act;

3) where the applicant acquires a qualifying holding, the application to acquire a qualifying holding referred to in Article 33 of this Act and the information and documentation laid down in subordinate legislation adopted pursuant to Article 36, paragraph (10) of this Act, which includes, *inter alia*, the information on the identity of all natural and legal persons which will have, provided the authorisation is granted, directly or indirectly, a qualifying holding in the credit institution and the amount of these holdings in the capital of the credit institution;

4) the application for prior approval to perform the function of a management board member referred to in Article 45, paragraph (2) of this Act and the application for prior approval to perform the function of the chairperson of the management board referred to in Article 46 of this Act and the information and documentation laid down in subordinate legislation adopted pursuant to Article 44, paragraph (9) of this Act;

5) the application for prior approval to perform the function of a supervisory board member referred to in Article 49, paragraph (2) of this Act and the application for prior approval to perform the function of the chairperson of the supervisory board referred to in Article 50 of this Act and the information and documentation laid down in subordinate legislation adopted pursuant to Article 48, paragraph (18) of this Act;

6) programme of operations with a list of banking and financial services the credit institution intends to provide and the organisational structure of the credit institution, including an indication of parent undertakings, financial holding companies and mixed financial holding companies within the group, as well as a description of the governance arrangements referred to in Article 181 of this Act;

7) where no legal or natural person acquires, directly or indirectly, a qualifying holding in a credit institution, a list of 20 largest shareholders of the credit institution, indicating the amount of their holdings in the capital of the credit institution.

(2) A credit institution intending to provide additional financial services referred to in Article 12, paragraph (2), items (1), (3) and (5) of this Act, shall deliver to the Croatian National Bank the information and documentation prescribed in a special law.

(3) Prior to granting authorisation, the Croatian National Bank shall consult the competent authority of another Member State and exchange information with it if the credit institution is:

1) a subsidiary of a credit institution authorised in that other Member State;

2) a subsidiary of a parent undertaking of a credit institution authorised in that other Member State; or

3) controlled by the same persons, both natural or legal, that control the credit institution authorised in that other Member State.

(4) Prior to granting authorisation, the Croatian National Bank shall consult the competent supervisory authority of the other Member State responsible for the supervision of insurance undertakings or investment firms in that Member State and exchange information with it if the credit institution is:

1) a subsidiary of an insurance undertaking or investment firm authorised in the European Union;

2) a subsidiary of a parent undertaking, insurance undertaking or investment firm authorised in the European Union; or

3) controlled by the same persons, both natural or legal, that control the insurance undertaking or investment firm authorised in the European Union.

(5) In consulting and exchange of information referred to in paragraphs (3) and (4) of this Article, the Croatian National Bank shall consult and exchange all information material for granting authorisations and ongoing assessment of compliance with the operating conditions relating to:

1) the assessment of the suitability of the acquirer of a qualifying holding;

2) the repute and experience of the members of the management body included in the management of the other member of the same group.

(6) The Croatian National Bank shall be competent to obtain evidence from relevant records on the legal or natural persons assessed when deciding on the application for authorisation that they have not been convicted of a misdemeanour, information on whether criminal or misdemeanour proceedings have been initiated against them, and evidence that they have not been convicted by a judgement with final force and effect.

(7) The Croatian National Bank shall be competent to obtain evidence from the ministry responsible for the judiciary based on a reasoned request whether the persons referred to in paragraph (6) of this Article have been

convicted by a judgement with final force and effect of a criminal offence and misdemeanour in the Republic of Croatia and criminal offence and misdemeanour in a Member State, from:

1) the criminal records or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, transposing into national legislation of Member States Decision 2009/316/JHA, Council Framework Decision 2009/315/JHA and Directive (EU) 2019/884 of the European Parliament and of the Council of 17 April 2019 amending Council Framework Decision 2009/315/JHA, as regards the exchange of information on third-country nationals and as regards the European Criminal Records Information System (ECRIS), and replacing Council Decision 2009/316/JHA (OJ L 151, 7.6.2019) ensuring the implementation of Regulation (EU) 2019/816 of the European Parliament and of the Council of 17 April 2019 establishing a centralised system for the identification of Member States holding conviction information on third-country nationals and stateless persons (ECRIS-TCN) to supplement the European Criminal Records Information System and amending Regulation (EU) 2018/1726 (OJ L 135, 22.5.2019) (hereinafter referred to as 'regulation governing the legal consequences of convictions, criminal records and rehabilitation) for criminal offences referred to in Article 33, paragraph (2) of this Act;

2) misdemeanour records.

(8) The following applications may be decided simultaneously in joint proceedings when granting authorisations of credit institutions:

1) the application for authorisation;

2) the application to acquire a qualifying holding;

3) the application for prior approval to perform the function of a management board member and the application for prior approval to perform the function of the chairperson of the management board;

4) the application for prior approval to perform the function of a supervisory board member and the application for prior approval to perform the function of the chairperson of the supervisory board;

5) the application for authorisation to provide financial services referred to in Article 12 of this Act, if submitted simultaneously with the application for authorisation to provide that service.

(9) The Croatian National Bank shall notify the European Banking Authority about the conditions for authorisation of a credit institution.

Granting applications for authorisation

Article 16

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

1) if for an acquirer of a qualifying holding or, in case no legal or natural person acquires a qualifying holding, for the 20 largest acquirers of holdings in a credit institution no reasons referred to in Article 37 of this Act exist;

2) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by close links between the credit institution and other legal or natural persons;

3) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by third-country regulations governing the operation of legal or natural persons with head offices or domicile or normal place of residence in a third country with whom the credit institution has close links, or where there are no other reasons preventing the exercise of supervision or making it difficult;

4) if the persons recommended for the chairperson or members of the management board of the credit institution fulfil the criteria referred to in Articles 44 or Article 45 of this Act or if the persons recommended for the chairperson or members of the supervisory board fulfil the criteria referred to in Articles 48 or 49 of this Act;

5) if the credit institution has own funds in accordance with Regulation (EU) No 575/2013 or initial capital in accordance with Article 26 of this Act;

6) if the credit institution is organised in accordance with this Act or if the conditions for the operation of credit institutions laid down in this Act, regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions have been met;

7) if the credit institution has a head office in the Republic of Croatia;

8) if the credit institution has physical presence in the Republic of Croatia or that its management will conduct business from the territory of the Republic of Croatia;

9) if the provisions of the credit institution's Articles of Association are not contrary to the provisions of this Act or regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions;

10) if it is evident from the information and documentation and from other available information that the credit institution meets the personnel, organisational and technical requirements for the provision of banking and/or financial services in the manner and scope envisaged in its business plan;

11) if it is evident from the information and documentation and from other available information that the credit institution has established governance arrangements referred to in Article 181 of this Act in a manner that enables sound and effective risk management; and

12) if it is evident from the information and documentation that the credit institution meets other requirements for the provision of the banking and/or financial services covered by the application for authorisation.

(2) When deciding on an application for authorisation, the economic needs of the market shall not be examined.

(3) In cases referred to in Article 14, paragraph (6) of this Act, when deciding on an application for authorisation, information from existing authorisations shall be taken into account.

(4) If the Croatian National Bank determines that the conditions for authorisation are not met, it shall refuse the application.

(5) The Croatian National Bank shall notify the European Banking Authority of the granting and withdrawal of authorisation of credit institutions and of the reasons for withdrawal of authorisation.

(6) When notifying the European Banking Authority of the granting of authorisations referred to in paragraph (5) of this Article, the Croatian National Bank shall communicate the information on the deposit insurance scheme of which the credit institution is a member.

Lapsing of authorisation

Article 17

(1) Authorisation shall lapse:

1) on the date of the opening of the voluntary winding-up of a credit institution;

2) on the date of the entry of a new credit institution in the register of companies, in case of a merger of credit institutions;

3) on the date of entry of status changes referred to in Article 23, paragraph (3) of this Act in the register of companies when the credit institution ceases to exist due to this status change; or

4) on the date, hour and minute specified in the dispositive part of the decision to initiate the compulsory winding-up of a credit institution.

(2) Authorisation to provide financial services and all other authorisations granted to a credit institution shall lapse at the same time as the credit institution's authorisation.

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

Reasons for withdrawal of authorisation

Article 18

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

1) where a credit institution fails to commence operations within 12 months of the granting of authorisation;

2) where a credit institution submits a written notification to the Croatian National Bank stating that it no longer intends to provide banking services;

3) where a credit institution ceases to provide banking services for which it has been authorised on its own initiative for more than six months;

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

5) where, in the case of a renewed procedure, it is established that the authorisation of the credit institution was based on false or inaccurate data or statements relevant to the granting of that authorisation;

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

7) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four and Six of Regulation (EU) No 575/2013, with the exception of the requirements set out in Articles 92a and 92b of Regulation (EU) No 575/2013 or the additional own funds requirements imposed by a decision of the Croatian

National Bank under Article 105, paragraph (1), item (1) of this Act or the specific liquidity requirements under Article 105, paragraph (1), item (16) and Article 110 of this Act;

8) where a credit institution can no longer be relied on to fulfil its obligations towards its creditors, and, in particular, no longer provides security for the assets entrusted to it or for deposit payouts;

9) if a credit institution meets all of the following conditions:

a) in accordance with the law governing the resolution of credit institutions and investment firms or Article 18, paragraph (1), item (a) of Regulation (EU) No 806/2014, it has been determined that the credit institution is failing or is likely to fail;

b) the resolution authority, in accordance with the law governing the resolution of credit institutions and investment firms, has determined that it is not reasonable to expect that any alternative private sector measures, including by an institutional protection scheme, supervisory measures, supervisory measures in the early intervention phase, or the write-down or conversion of relevant capital instruments or eligible liabilities in accordance with the provisions of the law governing the resolution of credit institutions and investment firms would prevent the failure of the institution within a reasonable timeframe or has determined that the condition set out in Article 18, paragraph (1), item (b) of Regulation (EU) No 806/2014 has been met;

c) the resolution authority has determined, in accordance with the law governing the resolution of credit institutions and investment firms, that the resolution of the credit institution is not in public interest or if it has determined that the condition set out in Article 18, paragraph (1), item (c) of Regulation (EU) No 806/2014 has been met;

10) where a credit institution is found liable by a judgement of the competent authority with final force and effect for a material breach of the law governing the prevention of money laundering and terrorist financing or the national provisions transposing Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5. 6. 2015) (hereinafter referred to as 'Directive EU 2015/849');

11) where a credit institution prevents the exercise of supervision of its operation in any manner whatsoever;

12) where there are reasons for revocation of the approval to acquire a qualifying holding referred to in Article 38 of this Act;

13) where a credit institution fails to meet the requirements relating to deposit insurance in accordance with the law governing the deposit insurance scheme;

14) where a credit institution fails to meet the technical, organisational, personnel and other requirements for the provision of banking services;

15) where a credit institution has committed any of the breaches referred to in Articles 373 and 374 of this Act.

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

(3) By way of derogation from paragraph (1) of this Article, where there are reasons for withdrawal of authorisation of a credit institution, the authorisation may not be withdrawn from the moment of adoption of a decision to open resolution proceedings until the moment of adoption of a decision on the completion of the resolution proceedings.

Publication of a decision to withdraw authorisation

Article 19

The Croatian National Bank shall communicate the decision to withdraw authorisation to the competent commercial court and the Croatian Deposit Insurance Agency, publish the decision on its website and notify the European Banking Authority thereof.

Authorisation to provide financial services

Article 20

(1) A credit institution having its head office in the Republic of Croatia shall, prior to entry in the register of companies the financial services it intends to provide, obtain authorisation to provide such financial services in accordance with this Act.

(2) To obtain authorisation to provide financial services, a credit institution shall submit to the Croatian National Bank an application for authorisation to provide financial services and submit the information and documentation in accordance with the subordinate legislation adopted pursuant to paragraph (8) of this Article.

(3) The decision on the authorisation referred to in paragraph (1) of this Article shall be adopted at the same time as the decision on the authorisation of the credit institution, unless the application for authorisation to provide financial services is submitted after the credit institution referred to in paragraph (1) of this Article has been granted authorisation.

(4) The Croatian National Bank shall submit the application for authorisation to provide financial services referred to in Article 12, paragraph (1), item (18) of this Act, together with the information and documentation referred to in Article 60, paragraph (7) of Regulation (EU) No 2023/1114 and the Delegated Regulation adopted pursuant to Article 60, paragraph (13) of Regulation (EU) 2023/1114, to the Croatian Financial Services Supervisory Agency, requesting opinion on whether there are doubts that a credit institution will not meet the conditions for the provision of the services referred to in Title V of Regulation (EU) 2023/1114.

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

(6) When dealing with an application for authorisation to provide financial services referred to in Article 12, paragraph (1), item (18) of this Act, the Croatian National Bank shall take into account the opinion of the Croatian Financial Services Supervisory Agency.

(7) The time limit referred to in Article 348 of this Act within which a decision is taken on the application for authorisation referred to in this Article shall not run until the Croatian Financial Services Supervisory Agency has delivered the opinion referred to in paragraph (4) of this Article or until the expiry of the time limits referred to in paragraph (5) of this Article.

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

Refusing applications for authorisation to provide individual financial services

Article 21

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

1) where a credit institution no longer meets the technical, personnel, organisational and other requirements for the provision of individual types of financial services;

2) where supervisory measures have been imposed on a credit institution and the introduction of a new service could adversely affect the implementation of these supervisory measures; or

3) where the credit institution fails to meet the specific requirements for the provision of financial services envisaged in the credit institution's business plan, which are laid down in other regulation governing the provision of financial services.

Withdrawal of authorisation to provide individual financial services

Article 22

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

1) where, in the case of a renewed procedure, it is established that the authorisation to provide financial services was based on false or inaccurate data or statements relevant to the granting of that authorisation;

2) where a credit institution no longer meets the technical, personnel, organisational and other requirements for the provision of individual financial services;

3) where a credit institution no longer meets the requirements laid down in other regulations governing the provision of individual financial services; or

4) where a credit institution submits a written notification stating that it no longer intends to provide one or more financial services.

(2) A credit institution shall deliver the decision to withdraw the authorisation to provide financial services within eight days of the day of receipt of that decision, to the competent commercial court and publish it on its website without delay.

CHAPTER III
STATUS CHANGES

Scope and definition of status changes

Article 23

(1) Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Text with EEA relevance) (OJ L 24/1, 29. 1. 2004) and regulations transposing Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law (Text with EEA relevance) (OJ L 169/46, 30. 6. 2017) into national legislation shall apply to the provisions of this Chapter.

(2) Mergers by formation, mergers by acquisition or divisions resulting from the implementation of the regulation governing the resolution of credit institutions shall not be subject to the requirements laid down in this Chapter.

(3) Status changes mean changes whereby:

1) one or more companies, on being dissolved without going into liquidation, transfer all or parts of their assets and liabilities to another existing company, the acquiring company, in exchange for the issue to their members of securities or shares representing the capital of that acquiring company and, where paid in cash, a cash payment not exceeding 10% of the nominal value unless stated otherwise by the applicable national law, or, in the absence of a nominal value, of the accounting par value of those securities or shares;

2) one or more companies, on being dissolved without going into liquidation, transfer all or parts of their assets and liabilities to another existing company, the acquiring company, without the issue of any new securities or shares by the acquiring company, provided that one person holds directly or indirectly all the securities and shares in the merging companies or the members of the merging companies hold their securities and shares in the same proportion in all merging companies;

3) two or more companies, on being dissolved without going into liquidation, transfer all or parts of their assets and liabilities to a company that they form, the new company, in exchange for the issue to their members of securities or shares representing the capital of that new company and, where paid in cash, a cash payment not exceeding 10 % of the nominal value unless stated otherwise by the applicable national law, or, in the absence of a nominal value, of the accounting par value of those securities or shares;

4) a company, on being dissolved without going into liquidation, transfers all or parts of its assets and liabilities to the company holding all the securities or shares representing its capital;

5) an operation whereby, on being wound up without going into liquidation, a company transfers to more than one company all its assets and liabilities in exchange for the allocation to the shareholders of the company being divided of securities or shares in the companies receiving contributions as a result of the division and, where paid in cash, a cash payment not exceeding 10% of the nominal value unless stated otherwise by the applicable national law, or, in the absence of a nominal value, of the accounting par value of those securities or shares;

6) an operation whereby, on being wound up without going into liquidation, a company transfers to more than one newly-formed company all its assets and liabilities in exchange for the allocation to the shareholders of the company being divided of securities or shares in the recipient companies, and, where paid in cash, a cash payment not exceeding 10 % of the nominal value unless stated otherwise by the applicable national law, or, in the absence of a nominal value, of the accounting par value of those securities or shares;

7) an operation consisting of a combination of operations described under items 5) and 6) of this paragraph;

8) an operation whereby a company being divided transfers part of its assets and liabilities to one or more recipient companies in exchange for the issue to the members of the company being divided of securities or shares in the recipient companies, in the company being divided or in both the recipient companies and the company being divided, and, where paid in cash, a cash payment not exceeding 10 % of the nominal value unless stated otherwise by the applicable national law, or, in the absence of a nominal value, of the accounting par value of those securities or shares;

9) an operation whereby a company being divided transfers part of its assets and liabilities to one or more recipient companies in exchange for the issue to the company being divided of securities or shares in the recipient companies;

10) a status change has been carried out which is not listed in items 1) to 9) of this paragraph which refers to mergers by formation, mergers by acquisition and divisions as prescribed by the law governing companies.

Notification of merger by formation, merger by acquisition or of division and their assessment

Article 24

(1) A credit institution, a financial holding company or a mixed financial holding company which has been granted the authorisation referred to in Article 87 of this Act (hereinafter referred to as 'financial stakeholder') and which intends to carry out the status change referred to in Article 23, paragraph (3) of this Act (hereinafter referred to as 'proposed status change') shall after the adoption of the draft terms of the proposed status change and prior to the completion of the status change notify the Croatian National Bank and include the information

referred to in Article 25, paragraphs (7) and (8) of this Act (hereinafter referred to as 'notification of a status change') if it is to be the competent authority responsible for the supervision of the entity resulting from the proposed status change.

(2) Where the proposed status change consists of the division referred to in Article 23, paragraph (3), items (5) to (10) of this Act, the financial stakeholder shall notify the Croatian National Bank if the Croatian National Bank is responsible for the supervision of the financial stakeholder carrying out the proposed status change.

(3) Based on the notification referred to in paragraph (1) of this Article, the Croatian National Bank shall carry out an assessment of the proposed status change (hereinafter referred to as 'assessment').

(4) By way of derogation from paragraph (3) of this Article, the Croatian National Bank shall not be required to carry out the assessment where:

1) the proposed status change involves only financial stakeholders from the same group, including a group of credit institutions that are permanently affiliated to a central body and which is supervised as a group;

2) the proposed status change requires an authorisation in accordance with Article 14 of this Act or in accordance with Article 87 of this Act.

(5) The Croatian National Bank shall, without delay, and in any event within 10 working days of receipt of the notification of the status change or of additional information acknowledge, in writing, receipt of the notification or of additional information submitted in accordance with paragraphs (7) to (11) of this Article and shall specify the date of the expiry of the assessment period which may not be longer than 90 working days (hereinafter referred to as 'assessment period').

(6) By way of derogation from paragraph (5) of this Article, where the status change includes exclusively financial stakeholders that are members of the same group, the Croatian National Bank shall carry out the assessment within the period of 60 working days of the date of the written acknowledgement of receipt of the notification of a status change.

(7) The Croatian National Bank may request in writing additional information that is necessary to complete the assessment and shall specify the additional information needed.

(8) Where the proposed status change involves only financial stakeholders from the same group, the Croatian National Bank may request the additional information needed no later than on the 50th working day of the assessment period.

(9) Where the Croatian National Bank requests the additional information referred to in paragraph (7) of this Article, the assessment period shall be suspended between the date of the request for additional information and the date of receipt of the response thereto by the financial stakeholders, providing all the requested information.

(10) The period of suspension referred to in paragraph (9) of this Article shall not exceed 20 working days.

(11) The Croatian National Bank may make further requests for completion or clarification of the information provided, but this shall not result in the extension of the assessment period.

(12) By way of derogation from paragraph (10) of this Article, the Croatian National Bank may extend the suspension of the assessment period to a maximum of 30 working days in the following situations:

1) where at least one of the financial stakeholders in the status change has its domicile or head office in a third country or is regulated in a third country;

2) where an exchange of information with authorities responsible for supervising financial stakeholders in accordance with Directive (EU) 2015/849 is necessary to carry out the assessment.

(13) The financial stakeholder may not complete the status change or enter the status change in the register of companies until the Croatian National Bank adopts the decision not to oppose the proposed status change or in the case referred to in paragraph (16) of this Article upon the expiry of the time limit referred to in that paragraph.

(14) The Croatian National Bank shall submit a reasoned decision opposing or not opposing the proposed status change to the financial stakeholder within two working days of the completion of its assessment.

(15) Financial stakeholders shall transmit the reasoned decision referred to in paragraph (14) of this Article to the authorities in charge under the national law of the supervision of the proposed status change.

(16) By way of derogation from paragraph (14) of this Article, where the proposed status change includes only financial stakeholders from the same group and the Croatian National Bank does not adopt a decision opposing the proposed status change within the assessment period in writing, it shall be deemed that the Croatian National Bank does not oppose the proposed status change

(17) The Croatian National Bank may set a maximum period for completing the proposed status change in a reasoned decision not to oppose the status change.

Assessment criteria

Article 25

(1) When assessing the notification of a status change referred to in Article 24, paragraph (1) of this Act and the information referred to in Article 24, paragraphs (7) to (12) of this Act, for the purpose of ensuring the stability of the prudential profile of financial stakeholders following the completion of the status change, especially the risks to which financial stakeholders in the status change are or might be exposed during the status change and the risks they might be exposed after the status change, the Croatian National Bank shall assess the proposed status change in accordance with the following criteria:

1) the reputation of financial stakeholders in the status change;

2) the financial soundness of financial stakeholders in the proposed status change and in particular in relation to the type of business pursued by financial stakeholders and envisaged to be performed by the entity resulting from the status change;

3) whether the entity resulting from the status change will be able to comply and continue to comply with the provisions of this Act and Regulation (EU) No 575/2013 and, where applicable, other regulations of the European Union, in particular regulations governing the operation of financial conglomerates transposing Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council (OJ L 35, 11. 2. 2003) and regulations governing the establishment and operation of electronic money institutions transposing Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10. 10. 2009);

4) the plausibility and soundness of the status change plan from the prudential perspective; and

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

(2) The Croatian National Bank shall monitor the implementation of the plan referred to in paragraph (1), item (4) of this Article until the completion of the status change of which the provider of the notification is obligated to notify the Croatian National Bank.

(3) When carrying out the assessment of the criteria referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall consult the competent supervisory authority responsible for supervision in the area of the prevention of money laundering and terrorist financing, including the Ministry of Finance – the Anti-Money Laundering Office

(4) The Croatian National Bank shall adopt a decision opposing the proposed status change only where:

1) the criteria referred to in paragraph (1) of this Article have not been met, or

2) the information submitted by the financial stakeholder is incomplete despite the request for additional information referred to in Article 24, paragraph (11) of this Act.

(5) When assessing the criteria referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall take into account the negative opinion provided in writing by the competent supervisory authority responsible for the supervision of financial stakeholders in the area of the prevention of money laundering and terrorist financing that the Croatian National Bank received within 30 working days from the date when the opinion was sought and this negative opinion may constitute a ground for adopting a decision to oppose the proposed status change.

(6) When adopting a decision on the proposed status change, the Croatian National Bank shall not assess the notification of the proposed status change in terms of the economic needs of the market.

(7) The Croatian National Bank shall publish on its website a list of information to be attached to the notification of the status change which shall be proportionate and appropriate to the nature of the proposed status change and relevant for assessment pursuant to this Article.

(8) The financial stakeholders shall submit the information referred to in paragraph (7) of this Article to the Croatian National Bank at the moment of the notification referred to in Article 24, paragraphs (1) and (2) of this Act.

(9) The Croatian National Bank shall consult other competent or supervisory authorities prior to adopting a decision on the status change referred to in paragraph (1) of this Article where the proposed status change in addition to financial stakeholders includes an entity which is one of the following:

1) a credit institution, an insurance or reinsurance undertaking, an investment firm or an asset management company authorised in another Member State or in a sector other than that in which the status change is proposed;

2) the parent undertaking of a credit institution, of an insurance or reinsurance undertaking, of an investment firm or an asset management company authorised in another Member State or in a sector other than that in which the status change is proposed; or

3) a legal person controlling a credit institution, an insurance or reinsurance undertaking, an investment firm or an asset management company, authorised in another Member State or in a sector other than that in which the status change is proposed.

(10) The Croatian National Bank shall, without delay, provide to the other competent authority, at its request all relevant information for the assessment of the status change and at its own initiative provide all information important for the assessment of the status change.

(11) In the case referred to in paragraph (9) of this Article, the Croatian National Bank shall in the decision on authorisation for a status change indicate any opinions expressed by the other supervisory or competent authorities.

(12) When submitting the information referred to in paragraph (10) of this Article for entities supervised in accordance with paragraph 9 of this Article, the Croatian National Bank shall indicate any views or reservations in relation to one or more such entities.

(13) The Croatian National Bank shall coordinate its assessment referred to in paragraphs (1) and (2) of this Article with other competent authorities and ensure the consistency of its procedures for authorisation for a status change.

(14) Where the financial stakeholder referred to in Article 24, paragraphs (1) and (2) of this Act fails to submit in advance the notification of a proposed status change pursuant to this Article or the proposed status change is carried out in contravention to the decision of the Croatian National Bank to oppose the proposed status change, the Croatian National Bank shall consider the imposition of the necessary supervisory measure.

TITLE IV
INITIAL CAPITAL AND SHARES OF A CREDIT INSTITUTION

Initial capital of a credit institution

Article 26

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

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

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

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

(5) The Croatian National Bank shall notify the European Commission and the European Banking Authority of the reasons for granting authorisations to individual categories of credit institutions the initial capital of which is below that referred to in paragraph (1) of this Article.

Shares of a credit institution

Article 27

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

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

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

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

1) the implementation of status changes referred to in Article 23 of this Act to which the credit institution is a party; or

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

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

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

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

Article 28

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

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

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

(4) By way of derogation from paragraph (1) of this Article, a credit institution may grant credits or issue credit guarantees to its employees and employees of undertakings in which it holds participation for the acquisition of shares of that credit institution.

(5) The total amount of such credits and guarantees referred to in paragraph (4) of this Article shall not exceed 10% of the credit institution's initial capital.

Preferential shares of a credit institution

Article 29

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

Prohibition on the acquisition of shares

Article 30

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

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

(3) The exemptions from the limits on holdings referred to in Article 211, paragraph (2) of this Act shall also apply *mutatis mutandis* to the limits referred to in paragraph (2) of this Article.

TITLE V
SHAREHOLDERS OF A CREDIT INSTITUTION

Prior approval to acquire a qualifying holding

Article 31

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

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

(3) A holder of a qualifying holding shall submit an application to acquire a qualifying holding for each further direct or indirect increase of a qualifying holding in the amount equalling or exceeding 20%, 30% or 50% of the capital or of the voting rights of a credit institution or when, based on this acquisition or increase in the qualifying holding a credit institution becomes a subsidiary of the acquirer.

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

(5) Persons who obtained the prior approval to acquire a qualifying holding shall, within the time limit set in the decision on the prior approval referred to in this Article, complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof.

(6) If a person who obtained the prior approval to acquire a qualifying holding fails to complete that acquisition within the time limit referred to in paragraph (5) of this Article, the person may, not later than 30

days before the expiry of that time limit, submit a reasoned request to the Croatian National Bank for an extension of that time limit.

(7) Should a person who obtained the prior approval to acquire a qualifying holding take a decision to sell or otherwise dispose of their shares so as to reduce their holdings below the threshold for which they obtained prior approval or stop the credit institution from being their subsidiary, they shall notify the Croatian National Bank thereof in advance.

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

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

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

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

(9) In the case referred to in paragraph (8) of this Article, the Croatian National Bank shall in an explanation of a draft decision on the prior approval indicate any views expressed by the other competent authorities.

(10) The Croatian National Bank shall exchange with the competent supervisory authorities referred to in paragraph (8) of this Article, without undue delay, all information necessary or relevant for the assessment of the acquirer of a qualifying holding, including all relevant information required by the other competent supervisory authority, and shall, at own initiative also communicate all essential information.

(11) Legal persons holding qualifying holdings shall notify the Croatian National Bank of any participation in status change within eight days of effecting such a change.

(12) To determine the percentage of the qualifying holding, the provisions of the law governing the capital market transposing the provisions of Articles 9, 10 and 11 of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ l 390, 31. 12. 2004), as last amended by Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance) (OJ L 322, 16. 12. 2022, hereinafter referred to as 'Directive 2004/109/EC') and Article 12, paragraphs (4) and (5) of Directive 2004/109/EC, relating to the percentage of voting rights, shall apply *mutatis mutandis*.

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

(14) Shareholders of a credit institution who, after acquiring shares of the credit institution, become persons acting in concert, owing to which they as persons acting in concert jointly hold 10%, 20%, 30% or 50% of the capital or of the voting rights of the credit institution, or owing to which a credit institution becomes a subsidiary of the acquirer, shall submit an application to acquire a qualifying holding within 30 days of the date when they became persons acting in concert or a subsidiary of the acquirer, and failure to do so will result in the Croatian National Bank acting in accordance with Article 39 of this Act.

(15) Where an individual person or one of the persons acting in concert acquires or increases a qualifying holding by inheritance, or in another case when the person did not know, or should not have known or influence the fact that they would exceed the stated holding, the person shall submit an application to acquire a qualifying holding within 30 days of the day on which the person became aware or should have become aware of such an acquisition, and failure to do so will result in the Croatian National Bank acting in accordance with Article 39 of this Act.

(16) Should the holding of a person or persons acting in concert increase due to the reduction in the initial capital of the credit institution or other similar action by the credit institution so as to reach or exceed 10%,

20%, 30%, or 50% of the capital or voting rights of the credit institution or owing to which a credit institution becomes a subsidiary of the acquirer, the person shall submit an application to acquire a qualifying holding within 30 days of the day on which the person became aware or should have become aware of the increase in their holdings due to the credit institution's action and failure to do so will result in the Croatian National Bank acting in accordance with Article 39 of this Act.

(17) The provisions of this Title of the Act shall apply *mutatis mutandis* to the holders of qualifying holdings referred to in paragraphs (14), (15) and (16) of this Article.

(18) By way of derogation from paragraphs (2) and (14) of this Article, persons for whom circumstances referred to in Article 32, paragraph (2) of this Act have been determined and who do not consider that acting in concert exists, shall submit to the Croatian National Bank an application to determine the non-existence of acting in concert, enclosing documentation used as a basis for their application.

(19) Where the Croatian National Bank determines the non-existence of acting in concert of persons referred in Article 32, paragraph (2) of this Act based on the application referred to in paragraph (18) of this Article, these persons shall not be obligated to submit the application referred to in paragraph (2) or (14) of this Article.

(20) If the Croatian National Bank refuses the application referred to in paragraph (18) of this Article, it shall determine the existence of acting in concert and:

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

2) the persons referred to in paragraph (14) of this Article who act in concert shall submit an application to acquire a qualifying holding within 30 days of receipt of the decision of the Croatian National Bank on the existence of acting in concert.

(21) Where the persons referred to in paragraph (14) of this Article fail to submit the application referred to in paragraph (18) of this Article within 30 days of the date when they became persons acting in concert, the Croatian National Bank shall act in accordance with Article 39 of this Act.

(22) Where a person obligated under this Act to obtain prior approval to acquire a qualifying holding is a foreign investor subject to the application of the law governing the screening of foreign investments, such person shall prior to submitting an application to the Croatian National Bank to acquire a qualifying holding, obtain an approval in accordance with that law.

Persons acting in concert

Article 32

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

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

1) shareholders that have reached an agreement on matters of corporate governance by which corporate governance of a credit institution is regulated in a manner that differs from the prescribed manner or an agreement on the manner of exercising other rights arising from shares;

2) shareholders who enter into an agreement for the purpose of strengthening the shareholding structure and/or achieving stable management in the company, as defined by the law governing companies;

3) natural persons if they are linked by consanguinity in the direct line without restraint and in the collateral line ending with brothers and sisters, or if they are a spouse or the person with whom one lives for a longer period of time in a joint household, who, in accordance with a special law has the status equivalent to that in a marriage;

4) persons who are members of senior management, management board or supervisory board, or persons authorised to appoint members of senior management, management board or supervisory board in a credit institution of which a qualifying holding is being established;

5) undertakings that are members of the same group;

6) persons linked only by circumstances which indicate coordination in the acquisition of shares or joint intent of the persons to acquire shares, including the use of the same sources of financing;

7) persons who coordinated exercising of voting rights in the credit institution of which a qualifying holding is being established;

8) legal persons interconnected within the meaning of the provisions of the law governing companies;

9) members of the management body of undertakings acting in concert;

10) members of the management body with undertakings in which they are members of these bodies;

11) a management company and all investment funds managed by that company;

12) legal persons and natural and/or legal persons when one of them directly or indirectly controls the other legal person or legal persons; or

13) persons who are within the meaning of the provisions of the regulation governing the takeover of joint stock companies required to publish a bid to take over the credit institution.

(3) For persons for whom it determines the existence of other circumstances similar to the circumstances referred to in paragraph (2) of this Article, the Croatian National Bank may adopt a decision determining their acting in concert.

(4) The Croatian National Bank shall adopt subordinate legislation to specify the circumstances indicating acting in concert referred to in paragraphs (2) and (3) of this Article.

Application to acquire a qualifying holding

Article 33

(1) An application to acquire a qualifying holding shall be accompanied by the information and documentation verifying compliance with the conditions laid down in the subordinate legislation adopted under Article 36, paragraph (10) of this Act.

(2) The Croatian National Bank shall be competent to obtain evidence on criminal or misdemeanour convictions of the acquirer, information on whether criminal offence or misdemeanour proceedings have been initiated against the acquirer and information if the acquirer has been convicted by a judgement with final force and effect of a criminal offence in the Republic of Croatia or Member States from the criminal history records and misdemeanour records, based on a reasoned explanation, or from the European Criminal Records Information System in accordance with the regulation governing legal consequences of convictions, criminal records and rehabilitation, in relation to the following criminal offences:

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

2) a criminal offence of unauthorised use and disclosure of privileged information, a criminal offence of price manipulation and spreading of false information, a criminal offence of presentation of false data in the prospectus and its unauthorised distribution, a criminal offence of unauthorised listing of securities, a criminal offence of concealment of ownership and of illicit trade in securities under the Securities Markets Act (Official Gazette 84/02 138/06 and 88/08);

3) a criminal offence of use, disclosure and divulging of privileged information, a criminal offence of market manipulation, a criminal offence of unauthorised provision of investment services and a criminal offence of unauthorised performance of activities of tied agents under the Act on Criminal Offences Against the Capital Market (Official Gazette 152/08);

4) crimes against humanity and human dignity (Title IX), criminal offences against life and limb (Title X), a criminal offence of violation of equality (Article 125), criminal offences against labour relations and social insurance (Title XII), a criminal offence of unlawful deprivation of liberty (Article 136), a criminal offence of kidnapping (Article 137), a criminal offence of misuse of sexually explicit images or videos (Article 144a), criminal offences against sexual freedom (Title XVI), criminal offences of sexual abuse and sexual exploitation of children (Title XVII), a criminal offence of unauthorised manufacture of drugs and drugs trafficking (Article 190), a criminal offence of enabling the use of drugs (Article 191), a criminal offence of endangering life and property by an artificial intelligence system (Article 215a), a criminal offence of destruction of or damage to public-use devices (Article 216), a criminal offence of destruction, damage or misuse of warning signs (Article 218), a criminal offence of misuse of radioactive substances (Article 219), a criminal offence of handling of generally dangerous substances (Article 220), a criminal offence of attack on an aircraft, vessel or immovable platform (Article 223), a criminal offence of endangering traffic by a dangerous act or dangerous means (Article 224), criminal offences against property (Title XXIII), criminal offences against the economy (Title XXIV), criminal offences against computer systems, programs and data (Title XXV), a criminal offence of forgery (Title XXVI), a criminal offence against official duty (Title XXVIII), a criminal offence of assisting the perpetrator following the commission of a criminal offence (Article 303), a criminal offence of unlawful entry into,

movement or residence in the Republic of Croatia, another Member State or signatory to the Schengen Agreement (Article 326), a criminal offence of criminal association (Article 328), a criminal offence of committing criminal offence as a member of a criminal association (Article 329), a criminal offence of unlawful possession, making and procurement of weapons and explosive devices (Article 331), a criminal offence of producing, procuring, possessing or dealing in instruments for misuse of cashless means of payment (Article 331a), criminal offences against a foreign state or an international organisation (Title XXXIII) under the Criminal Code (Official Gazette 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21, 114/22, 114/23, 36/24 and 136/25);

5) criminal offences under the law governing companies;

6) criminal offences under the law governing the operation of investment funds;

7) criminal offences under the Accounting Act (Official Gazette 109/07);

8) criminal offences under the regulations governing the operation of authorised exchange offices; or

9) criminal offences the acquirer has been convicted of outside the Republic of Croatia, which in their description correspond to criminal offences under this paragraph.

(3) When assessing the reputation in the procedure of deciding on the application to acquire a qualifying holding, the Croatian National Bank shall consult the European Banking Authority database and other records of imposed sanctions of European authorities it has access to.

Decision-making procedure regarding an application to acquire a qualifying holding

Article 34

(1) The Croatian National Bank shall issue to the applicant within ten working days of receipt of the application to acquire a qualifying holding a written acknowledgement of receipt of the application, determining if the application is complete.

(2) When issuing the acknowledgement referred to in paragraph (1) of this Article, the Croatian National Bank shall notify the applicant of the date of expiry of the time limit for deciding on the application.

(3) If the application referred to in paragraph (1) of this Article is not complete, the Croatian National Bank shall invite the applicant within a reasonable time frame to supplement the application within the time limit set by it.

(4) The Croatian National Bank shall act in accordance with paragraph (1) of this Article within ten working days of receipt of the supplemented application.

(5) A complete application referred to in paragraph (1) of this Article shall be considered to be an application accompanied by all the information and documentation prescribed in subordinate legislation adopted under Article 36, paragraph (10) of this Act.

(6) The decision-making procedure regarding the application to acquire a qualifying holding shall be completed within 60 working days of the date of written acknowledgement of the receipt of a complete application referred to in paragraph (1) of this Article.

(7) Where new facts and circumstances arise during the decision-making procedure to acquire a qualifying holding on the part of the applicant that affect the proceedings, the Croatian National Bank shall annul the acknowledgement establishing that the application was complete and shall, pursuant to paragraph (3) of this Article, invite the applicant to supplement the application within a reasonable time frame.

(8) The decision on the application to acquire a qualifying holding shall be delivered to the applicant within two working days of adoption and within the time limit referred to in paragraph (6) of this Article.

(9) Upon request of an applicant to acquire a qualifying holding whose application has been refused, an appropriate communication and the reasons for the refusal shall be published.

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

(11) If no decision on the application to acquire a qualifying holding is reached within the time limit referred to in paragraph (6) of this Article, prior approval to acquire a qualifying holding shall be deemed to have been granted.

(12) The time limit referred to in paragraph (6) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure in accordance with Article 343 of this Act.

Additional requests in the course of the decision-making procedure regarding an application to acquire a qualifying holding

Article 35

(1) In the course of the procedure of deciding on an application to acquire a qualifying holding, and within 50 working days of the day of submitting the application to acquire a qualifying holding, the Croatian National Bank may request in writing additional information and documentation it considers necessary to decide whether to grant prior approval, including the information prescribed in the law governing the prevention of money laundering and terrorist financing, which is being collected by persons subject to that law.

(2) An applicant for approval to acquire a qualifying holding shall deliver the requested information and documentation within the time limit specified by the Croatian National Bank, which may not be longer than 20 working days and the time limit referred to in Article 34, paragraph (6) of this Act shall not run during that period.

(3) The Croatian National Bank may subsequently request a completion or clarification of the submitted information but such request may not extend the time limit referred to in Article 34, paragraph (6) of this Act.

(4) The Croatian National Bank shall issue a written acknowledgement of receipt of the requested information and documentation referred to in paragraph (1) of this Article.

(5) By way of derogation from paragraph (2) of this Article, the Croatian National Bank may set a time limit for delivery of the information and documentation of up to 30 working days in the following cases:

1) when the acquirer of a qualifying holding has its domicile or head office in a third country or is regulated in a third country; or

2) when the acquirer of a qualifying holding is a natural or legal person not subject to supervision and oversight pursuant to the provisions of this Act, the law governing the capital market, the law governing insurance of property and persons and the law governing open-ended investment funds with a public offering or the regulations of a Member State where the acquirer has its domicile or head office, transposing Directive 2009/65/EU of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17. 11. 2009), Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance) (OJ L 335, 17. 12. 2009) or Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ L 145, 30. 4. 2004).

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

Deciding on prior approval to acquire a qualifying holding

Article 36

(1) To ensure sound and prudent management of a credit institution while taking into account the acquirer's influence on the credit institution in which a qualifying holding is being acquired, when deciding whether to grant prior approval to acquire a qualifying holding, the suitability and financial soundness of the acquirer of a qualifying holding shall be assessed against the following criteria:

1) the reputation of the acquirer;

2) the reputation, adequacy of knowledge, skills and experience of the persons the acquirer proposes to appoint to the functions of the management board members and the chairperson of the management board in accordance with Articles 44 and 46 of this Act;

3) the financial soundness of the acquirer, in particular in relation to the type of business pursued by the credit institution in which the qualifying holding is acquired;

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

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

(2) When assessing the reputation of the acquirer, the Croatian National Bank may take into consideration the integrity of all shareholders or holders of holdings of the acquirer that is a legal person, a member of the management board of the acquirer that is a legal person, a legal person over which the acquirer has control, a legal person in which the acquirer that is a natural person is conducting business operations or has conducted business operations in the last ten years or over which it has control or has had control in the last ten years, and the persons connected with the acquirer.

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

(4) The Croatian National Bank shall consult the competent supervisory authority responsible for the supervision of prevention of money laundering and terrorist financing to verify the criteria referred to in paragraph (1), item (5) of this Article.

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

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

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

(8) A person who has been convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 33, paragraph (2) of this Act shall not be deemed to be of good repute.

(9) When assessing the reputation of the acquirer, the Croatian National Bank shall check if the acquirer is an associate of a person convicted by a judgement with final force and effect of criminal offences prosecuted *ex officio* and shall take that into consideration in the assessment of the acquirer's reputation.

(10) The Croatian National Bank shall adopt subordinate legislation governing the criteria against which it assesses the suitability and the financial soundness of the acquirer of a qualifying holding, the circumstances against which it assesses the existence of significant influence, the manner of determining the size of the holding by an indirect acquirer and the information and documentation to be enclosed with the application for approval to acquire a qualifying holding.

Reasons for refusal of an application to acquire a qualifying holding

Article 37

(1) An application to acquire a qualifying holding shall be refused if it is assessed, based on the criteria referred to in Article 36 of this Act, that the suitability or financial soundness of the acquirer of a qualifying holding are not adequate in terms of ensuring sound and prudent management of a credit institution in which a qualifying holding is being acquired.

(2) When deciding on the application to acquire a qualifying holding, any negative opinion provided in writing by the competent supervisory authority responsible for the supervision of prevention of money laundering and terrorist financing in terms of the criteria referred to in Article 36, paragraph (1), item (5) of this Act received within 30 working days of the day when the opinion was sought shall be taken into account.

(3) The negative opinion referred to in paragraph (2) of this Article may serve as a basis for refusing the application to acquire a qualifying holding.

(4) An application to acquire a qualifying holding may be refused if the proposed acquirer of a qualifying holding has its domicile or head office in a third country designated as a high-risk third country with strategic deficiencies in the area of prevention of money laundering and terrorist financing in accordance with the regulation governing the prevention of money laundering and terrorist financing, or in a third country that is subject to restrictive measures of the European Union, and it has been assessed that this affects the ability of the proposed acquirer to put in place policies and procedures that comply with the system for the prevention of money laundering and terrorist financing.

Revocation of approval to acquire a qualifying holding

Article 38

The Croatian National Bank shall withdraw the approval to acquire a qualifying holding:

1) if a holder of a qualifying holding seriously breaches its obligations referred to in Title XI, Chapter IX and Title XIV of this Act or fails to act in accordance with a decision of the Croatian National Bank or the competent authority of another Member State responsible for supervision on a consolidated basis, ordering the holder to eliminate deficiencies;

2) if a holder of a qualifying holding obtained approval by providing false or inaccurate data;

3) if it is assessed, based on the criteria referred to in Article 36 of this Act, that the suitability or financial soundness of the acquirer of a qualifying holding are not adequate in terms of ensuring sound and prudent management of a credit institution; or

4) if the influence exercised by a holder of a qualifying holding operates to the detriment of the prudent and sound management of the credit institution or the holder does not act with the due diligence of a prudent businessperson.

Suspension of the voting rights of holders of qualifying holdings

Article 39

(1) The Croatian National Bank may temporarily suspend a qualifying holder's voting rights at the general assembly where the influence exercised by that holder is likely to operate to the detriment of the prudent and sound management of the credit institution or where it is likely that the holder would not act with the due diligence of a prudent businessperson.

(2) The Croatian National Bank shall temporarily suspend a qualifying holder's voting rights at the general assembly:

1) if the qualifying holder's approval to acquire a qualifying holding has been withdrawn;

2) if the qualified holder acquired shares contrary to Article 31, paragraphs (1) to (4) and paragraphs (14) to (17) of this Act.

(3) The temporary suspension referred to in paragraphs (1) and (2) of this Article may not last more than 12 months and may be reinstated if the conditions referred to in paragraph (1) of this Article continue to exist.

(4) The decisions referred to in paragraphs (1) and (2) of this Article shall be delivered to the qualifying holder, the credit institution, the Central Depository and Clearing Company and the register of companies for the purpose of entering a note on the suspension of the voting rights arising from said shares.

(5) As of the date of enforceability of the decision referred to in paragraphs (1) and (2) of this Article, the holder of a qualifying holding may not exercise any voting rights arising from any share, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general assembly shall be determined in relation to the initial capital reduced by the amount of shares on the basis of which the acquirer cannot exercise any voting rights.

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

Lapsing of approval to acquire a qualifying holding

Article 40

(1) If an acquirer of a qualifying holding does not acquire shares of a credit institution so as to reach or exceed a 10% holding of the capital or of the voting rights of the credit institution or exercise significant influence within the time limit referred to in Article 31, paragraphs (5) or (6) of this Act, the approval shall lapse in entirety.

(2) If a holder of a qualifying holding receives approval to acquire a holding of the capital or of the voting rights of the credit institution in the percentage referred to in Article 31, paragraph (3) of this Act, and does not acquire the approved amount but does acquire at least 10% of the capital or of the voting rights of the credit institution within the time limit referred to in Article 31, paragraph (5) or (6) of this Act, the approval to acquire the larger amount shall lapse.

(3) In cases referred to in this Article, the Croatian National Bank shall issue a decision determining the holding for which the acquirer has an approval.

TITLE VI
MANAGEMENT BOARD AND SUPERVISORY BOARD OF A CREDIT INSTITUTION

Management board and supervisory board of a credit institution

Article 41

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

(2) The members of the management board shall possess adequate collective knowledge, skills and experience required to direct the business of the credit institution independently and in particular to understand the credit institution's activities and the associated risks to which the credit institution is exposed, as well as their impacts over a short-, medium- and long term, taking into account environmental, social and governance factors.

(3) The members of the supervisory board shall possess adequate collective knowledge, skills and experience required to supervise the business of the credit institution independently and in particular to understand the credit institution's activities and the associated risks to which the credit institution is exposed, as well as their impacts over a short-, medium- and long term, taking into account environmental, social and governance factors.

(4) The credit institution shall ensure that the overall composition of the management board and the supervisory board is sufficiently diversified to reflect, among others, an adequately broad range of experiences.

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

Management board of a credit institution

Article 42

(1) The management board of a credit institution shall have at least two members who direct the business of the credit institution and represent it and one of the members of the management board shall be appointed chairperson of the management board.

(2) The management board shall direct the business of the credit institution from the territory of the Republic of Croatia.

(3) Unless provided otherwise in the Articles of Association, members of the management board of a credit institution shall jointly direct the business of the credit institution and jointly represent it.

(4) The management board of a credit institution may authorise one or more procurators to represent the credit institution, conclude contracts and perform legal acts in the name and for the account of the credit institution, which arise from the services for which the credit institution obtained authorisation but they may only do so jointly with at least one member of the credit institution's management board.

(5) When entering the name of a procurator in the register of companies, the credit institution's management board shall also enter the limitations on the powers of the procurator.

(6) At least one member of the management board of a credit institution shall be fluent in speaking and writing Croatian.

Employment status of management board members

Article 43

(1) The members of a credit institution's management board shall direct the business of the credit institution full time and be employed with the credit institution.

(2) Contracts pursuant to which management board members are employed with a credit institution shall contain a provision specifying that such contracts shall be terminated upon the appointment of a deputy management board member replacing that management board member, the appointment of special administration, the appointment of resolution administration or a liquidator.

(3) A credit institution shall not pay severance pay and variable remuneration to a member of the management board whose employment is terminated pursuant to a contractual provision referred to in paragraph (2) of this Article and any contractual provisions on such entitlement shall be null and void.

(4) By way of derogation from paragraph (1) of this Article, a deputy management board member and special administration need not be employed with the credit institution.

Criteria for membership in the management board of a credit institution

Article 44

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

1) they are of good repute and act with honesty and integrity;

2) they possess adequate knowledge, skills and experience required to direct the business of a credit institution, and together with other members of the management board fulfil the requirements set out in Article 41, paragraphs (2) and (4) of this Act;

3) they are able to have independence of mind, i.e. they are able to effectively assess and challenge the decisions of the management board and do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;

4) they fulfil the criteria for management board members under the provisions of the law governing companies; and

5) they are able to commit sufficient time to perform their functions.

(2) A credit institution shall ensure that management board members, at the time of submitting the application referred to in Articles 45 and 46 of this Act at all times fulfil the criteria for management board members referred to in paragraph (1) of this Article and shall periodically conduct an assessment of their suitability.

(3) If a credit institution establishes, based on the conducted suitability assessment, that a management board member does not fulfil the criteria referred to in paragraph (1) of this Article, the credit institution shall:

1) remove that member from the management board in a timely manner; or

2) undertake additional timely corrective measures necessary to ensure that the member of the management board fulfils the criteria referred to in paragraph (1) of this Article.

(4) A credit institution shall, as soon as becoming aware new facts or other circumstances that could affect the suitability of management board members, reassess the fulfilment of the criteria referred to in paragraph (1) of this Article and shall inform the Croatian National Bank of the results of that assessment without undue delay.

(5) The Croatian National Bank shall verify if management board members fulfil at all times the criteria for membership of the management board referred to in paragraph (1) of this Article and as soon as it becomes aware that the relevant information concerning the suitability of management board members have changed and that that change could affect the suitability of management board members, the Croatian National Bank shall conduct a reassessment of the fulfilment of the criteria referred to in paragraph (1) of this Article.

(6) A credit institution's management board shall, subject to prior approval from the supervisory board, adopt an appropriate selection policy and a policy for assessing compliance of individual management board members and the policy on the target management structure in accordance with the subordinate legislation adopted pursuant to paragraph (9) of this Article and of all members of the management board collectively and ensure the implementation of such policies.

(7) A person for whom an application for approval to perform the function of a management board member (hereinafter referred to as 'application to perform a management board member function') who has been found to have been convicted by a judgement with final force and effect of criminal offences referred to in Article 33, paragraph (2) shall not be deemed to be of good repute.

(8) When assessing the good repute of a person for whom an application to perform a management board member function has been submitted, the Croatian National Bank shall verify if that person is an associate of a person convicted by a judgement with final force and effect of criminal offences prosecuted *ex officio* and shall take that into consideration in the assessment of the good repute of that person.

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

1) the criteria referred to in paragraph (1) of this Article for membership in the management board, including the criteria for determining whether there are reasonable grounds to suspect that money laundering or terrorist financing in accordance with the regulations governing the prevention of money laundering, is being or has been committed or attempted, or if there is increased risk thereof in connection with the credit institution in which that person has been proposed for membership in the management board;

2) the procedures to be followed when deciding whether to grant prior approvals and subsequent assessments of the criteria referred to in paragraph (1) of this Article;

3) the procedure for the assessment of suitability of the chairperson and management board member by a credit institution;

4) the information and documentation to be enclosed with the application for prior approval for the chairperson or a member of the management board;

5) the content of the policy referred to in paragraph (6) of this Article and the frequency of assessing compliance with the criteria for management board members;

6) the requirements relating to the promotion of diversity of the management board; and

7) the requirements relating to the provision of induction and ongoing training of candidates for the chairperson or members of the management board.

Prior approval to perform the function of a management board member

Article 45

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

(2) An application for the prior approval referred to in paragraph (1) of this Article shall be submitted by the credit institution's supervisory board for a term of office not exceeding five years.

(3) By way of derogation from paragraph (1) of this Article, if the competent court appoints a member of the credit institution's management board pursuant to the provisions of the law governing companies, that member of the management board need not obtain prior approval from the Croatian National Bank, and he may not be appointed for a period exceeding six months, but even in such a case the appointee needs to fulfil the criteria referred to in Article 44 of this Act.

(4) In the procedure of appointment of a management board member referred to in paragraph (3) of this Article, the competent court shall, prior to appointment, request from the Croatian National Bank all the available and accessible data on the proposed appointee.

(5) The Croatian National Bank shall, upon an invitation from the court, submit all data available to it and the court shall take them into account when deciding on the appointment referred to in paragraph (3) of this Article.

(6) The application referred to in paragraph (2) of this Article shall be accompanied by the information and documentation prescribed in subordinate legislation adopted pursuant to Article 44, paragraph (9) of this Act.

(7) The Croatian National Bank shall be competent to obtain from the ministry responsible for the judiciary, based on a reasoned request, data on whether the person for whom an application to perform management board function has been convicted by a judgement with final force and effect of a criminal offence and misdemeanour in the Republic of Croatia and of a criminal offence and misdemeanour in a Member State, from:

1) the criminal records or the European Criminal Records Information System in accordance with the regulation governing legal consequences of convictions, criminal records and rehabilitation, for criminal offences referred to in Article 33, paragraph (2) of this Act;

2) misdemeanour records.

(8) When deciding on the application to perform a management board member function, the Croatian National Bank shall consult the European Banking Authority database and other records of imposed sanctions of European authorities it has access to.

(9) In the procedure of deciding on the application to perform a management board member function, the Croatian National Bank may require from the person for whom an application was submitted to make a presentation detailing how he proposes to direct the business of the credit institution falling within his competence and may require from the credit institution or the person for whom an application was submitted to provide additional information or documentation and may conduct an interview or hearing with the person for whom the application was submitted.

(10) In the procedure of deciding on the application to perform a management board member function, the Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the duration of the proposed term of office and exceptionally, the Croatian National Bank may, if it deems it justified, grant prior approval for a shorter duration than the proposed term of office.

(11) In the procedure of deciding on the application to perform a management board member function, the Croatian National Bank may request from the authority responsible for the supervision of anti-money laundering or counter-terrorist financing in accordance with the regulation governing the prevention of money laundering and terrorist financing to examine, in the context of its verifications and based on the risk sensitive basis, the relevant information and documentation concerning the person for whom the application was submitted, and the Croatian National Bank may also request access to the central AML/CFT database referred to in Regulation (EU) 2024/1620 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 (Text with EEA relevance) (OJ C 19. 6. 2024) (hereinafter referred to as 'Regulation (EU) 2024/1620').

(12) The Croatian National Bank shall refuse an application to perform a management board member function if it assesses that the person for whom the application was submitted does not fulfil the criteria referred to in Article 44 of this Act.

(13) If certain deficiencies in fulfilling the criteria have been determined, which need to be removed, in reference to the person for whom an application to perform a management board member function was submitted, and these deficiencies are not material in terms of leading to the refusal of the application to perform a management board member function, or if there is a need for further improvement, the Croatian National Bank may grant prior approval to perform a management board member function, deciding on one of the following:

1) grant prior approval for a term of office shorter than that requested;

2) grant prior approval subject to fulfilment of the criteria;

3) impose a charge or obligation; and

4) issue a recommendation.

(14) A member of the management board of a credit institution shall prior to appointment to that function in another credit institution again obtain prior approval to perform a management board member function from the Croatian National Bank and paragraph (2) and paragraphs (6) to (13) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.

(15) A management board member that the supervisory board wishes to reappoint shall once again follow the procedure for granting prior approval to perform a management board member function.

(16) The supervisory board of a credit institution shall submit an application for prior approval to perform a management board member function referred to in paragraph (2) or paragraphs (14) or (15) of this Article at least four months prior to the planned appointment of an individual management board member.

(17) In cases where seats on the management board are vacated or where members of the management board are incapable of performing their functions, the supervisory board of the credit institution may appoint its members as deputy management board members on a one-time basis for a period not longer than six months without the prior approval from the Croatian National Bank.

Prior approval to perform the function of the chairperson of the management board

Article 46

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

(2) Articles 44 and 45 of this Act shall apply *mutatis mutandis* to prior approval to perform the function of the chairperson of the management board.

(3) In the procedure of deciding on whether to grant prior approval to perform the function of the chairperson of the management board, the Croatian National Bank may request from the person for whom an application was submitted to make a presentation of how he proposes to direct the business of the credit institution.

Revocation of approval to perform the function of the chairperson or a member of the management board

Article 47

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

1) where the chairperson or a member of the management board breaches the provisions on duties of the management board laid down in the law governing companies, which results in the removal of the management board member;

2) where the chairperson or a member of the management board no longer fulfils the criteria for membership in the management board of a credit institution referred to in Article 44, paragraph (1) of this Act;

3) where the person for whom prior approval was granted is not appointed to office or does not assume the office to which the approval relates within six months of the approval; or

4) where, in the case of a renewed procedure, it is established that the prior approval to perform the function of the chairperson or management board member was based on false or inaccurate data or statements relevant to the issuing of that approval.

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

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

2) where the chairperson or a member of the management board materially breaches the duties of a management board member referred to in Articles 183, 187 or 188 of this Act;

3) where the chairperson or a member of the management board breaches the duties of a management board member referred to in Article 189 of this Act;

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

5) where the conditions for early intervention have arisen in accordance with Article 271 of this Act.

(3) Prior approval to perform the function of the chairperson or a member of the management board shall lapse:

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

2) where the contract of employment with the credit institution of the chairperson or a management board member in office expires, on the date of expiry of the contract;

3) where a credit institution's authorisation has been withdrawn or has lapsed, on the date of withdrawal or lapsing.

(4) It shall be deemed that the chairperson or a member of the management board materially breaches the obligations referred to in Articles 183, 187 or 188 of this Act when this breach would jeopardise the credit institution's liquidity or solvency.

(5) In carrying out the procedure referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank is authorised to request from the chairperson or management board member the information needed to verify, in the scope and nature that enable such verification, whether there are facts and circumstances referred to in paragraphs (1) and (2) of this Article.

(6) If the Croatian National Bank withdraws prior approval to perform the function of the chairperson or a member of a credit institution's management board, the supervisory board of the credit institution shall without delay, and no later than within 30 days, adopt a decision to remove from office the chairperson or a member of the management board.

Supervisory board members

Article 48

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

1) they are of good repute and act with honesty and integrity;

2) they possess adequate knowledge, skills and experience to meet the obligations falling within their competence, who together with other members of the supervisory board fulfil the requirements set out in Article 41, paragraphs (3) and (4) of this Act;

3) they are able to have independence of mind, i.e. they are able to effectively assess and challenge the decisions of the management board and effectively oversee and monitor decision-making of the management board, they do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;

4) they are able to commit sufficient time to perform their functions; and

5) they fulfil the criteria for supervisory board members under the provisions of the law governing companies.

(2) A credit institution shall ensure that supervisory board members, at the time of submitting the application referred to in Articles 49 and 50 of this Act and at all times fulfil the criteria for supervisory board members referred to in paragraph (1) of this Article and shall periodically conduct an assessment of their suitability.

(3) If a credit institution establishes, based on a suitability assessment, that a supervisory board member does not fulfil the criteria referred to in paragraph (1) of this Article, the credit institution shall:

1) remove that member from the supervisory board in a timely manner; or

2) undertake additional timely corrective measures necessary to ensure that that member of the supervisory board fulfils the criteria referred to in paragraph (1) of this Article.

(4) A credit institution shall, as soon as becoming aware of new facts or other circumstances that could affect the suitability of supervisory board members, reassess the fulfilment of the criteria referred to in paragraph (1) of this Article and shall inform the Croatian National Bank of the results of that assessment without undue delay.

(5) The Croatian National Bank shall verify if supervisory board members fulfil at all times the criteria for membership in the supervisory board referred to in paragraph (1) of this Article and as soon as it becomes aware that the relevant information concerning the suitability of supervisory board members have changed and that

that change could affect the suitability of supervisory board members, the Croatian National Bank shall conduct a reassessment of fulfilment of the criteria referred to in paragraph (1) of this Article.

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

(7) The supervisory board of a credit institution not covered by paragraph (6) of this Article shall have at least one independent member.

(8) By way of derogation from paragraph (7) of this Article, the obligation under that paragraph shall not apply to a credit institution which is a subsidiary of an EU parent credit institution having its head office in the RC or an RC parent credit institution.

(9) On proposal of a credit institution's management board, the credit institution's general assembly shall adopt an appropriate policy for selecting supervisory board members and assessing compliance with the criteria for supervisory board members individually and collectively and the policy on the target supervisory board structure in accordance with the subordinate legislation adopted pursuant to paragraph (18) of this Article and shall ensure the implementation of these policies.

(10) A person for whom an application for approval to perform the function of a supervisory board member (hereinafter referred to as 'application to perform a supervisory board member function') who has been found to have been convicted by a judgement with final force and effect of criminal offences referred to in Article 33, paragraph (2) of this Act shall not be deemed to be of good repute.

(11) Where an employees' representative is appointed to the supervisory board, that representative shall be appointed in accordance with the labour law.

(12) An employees' representative may not be:

1) a person who was a management board member of a credit institution or an affiliated undertaking in the past three years;

2) a member of the senior management of a credit institution or an affiliated undertaking who conducted these executive functions in the past 12 months, or

3) a person directly subordinate in the organisational structure of a credit institution to any management board member or a person who was directly subordinate to a management board member in the past 12 months.

(13) An employees' representative may not be appointed for the chairperson of the supervisory board.

(14) Where a credit institution has a remuneration committee and an employees' representative has been appointed to the supervisory board, the employees' representative shall be a member of the remuneration committee.

(15) A credit institution shall ensure adequate personnel and financial conditions for induction and training of the supervisory board member who is an employees' representative.

(16) An employees' representatives who is a member of the supervisory board shall participate in discussions on all issues falling within the competence of the supervisory board in accordance with this Act and subordinate legislation adopted pursuant to regulations adopted pursuant to this Act, without voting rights.

(17) An employees' representative in the supervisory board of a credit institution shall not be subject to the provisions of this Act, with the exception of parts of paragraphs (11) to (16) of this Article and Title XXV of this Act.

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

1) the conditions referred to in paragraph (1) of this Article for membership in the supervisory board, including the criteria for determining independence of supervisory board members and criteria for determining reasonable grounds to suspect that money laundering or terrorist financing in accordance with the regulations governing the prevention of money laundering and terrorist financing, is being or has been committed or attempted, or if there is increased risk thereof in connection with the credit institution in which that person has been proposed for membership in the supervisory board;

2) the procedures to be followed when deciding whether to grant prior approvals and subsequent assessments of the criteria referred to in paragraph (1) of this Article;

3) the information and documentation to be enclosed with the application for prior approval for a supervisory board member and chairperson;

4) the content of the policy referred to in paragraph (9) of this Article and the frequency of assessing compliance with the criteria for supervisory board members and chairperson;

5) the requirements relating to the promotion of diversity of the supervisory board; and

6) the requirements relating to the provision of induction and ongoing training of candidates for supervisory board members.

Prior approval to perform the function of a member of the supervisory board

Article 49

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

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

(3) By way of derogation from paragraph (1) of this Article, if the competent court appoints a member of the credit institution's supervisory board in accordance with the provisions of the law governing companies, that member of the supervisory board need not obtain prior approval from the Croatian National Bank, and he may not be appointed for a period exceeding six months, but even in such a case the appointee shall fulfil the criteria referred to in Article 48 of this Act.

(4) In the procedure of appointing a supervisory board member referred to in paragraph (3) of this Article, the competent court shall, prior to appointment, request from the Croatian National Bank all the available and accessible data on the proposed appointee.

(5) The Croatian National Bank shall, upon an invitation from the court, submit all data available to it and the court shall take them into account when deciding on the appointment referred to in paragraph (3) of this Article.

(6) The application referred to in paragraph (2) of this Article shall be accompanied by the information and documentation prescribed in subordinate legislation adopted pursuant to Article 48, paragraph (18) of this Act.

(7) The Croatian National Bank shall be competent to obtain from the ministry responsible for the judiciary, based on a reasoned request, data on whether the person for whom an application to perform supervisory board function has been convicted by a judgement with final force and effect of a criminal offence and misdemeanour in the Republic of Croatia and of a criminal offence and misdemeanour in a Member State, from:

1) the criminal records or the European Criminal Records Information System in accordance with the regulation governing legal consequences of convictions, criminal records and rehabilitation, for criminal offences referred to in Article 33, paragraph (2) of this Act;

2) misdemeanour records.

(8) When deciding on the application for prior approval for a supervisory board member, the Croatian National Bank shall consult the European Banking Authority database and other records of imposed sanctions of European authorities it has access to.

(9) In the procedure of deciding on the application to perform a supervisory board member function, the Croatian National Bank may require from the credit institution or person for whom the application was submitted to provide additional information or documentation and may conduct an interview or hearing with the person for whom the application was submitted.

(10) In the procedure of deciding on the application to perform a supervisory board member function, the Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the duration of the proposed term of office and exceptionally, the Croatian National Bank may, if it deems it justified, grant prior approval for a shorter duration than the proposed term of office.

(11) The Croatian National Bank shall refuse an application to perform a supervisory board member function if it assesses that the person for whom the application was submitted does not meet the criteria referred to in Article 48 of this Act.

(12) If certain deficiencies in fulfilling the criteria have been determined, which need to be removed, in reference to the person for whom an application to perform a supervisory board member function was submitted, and these deficiencies are not material in terms of leading to the refusal of the application for prior approval, or if there is a need for further improvement, the Croatian National Bank may grant prior approval and decide on one or more of the following:

1) grant prior approval for a term of office shorter than that proposed;

2) grant prior approval subject to fulfilment of the criteria;

3) impose a charge or obligation; and

4) issue a recommendation.

(13) In the procedure of deciding on the application to perform a supervisory board member function, the Croatian National Bank may request from the competent supervisory authority responsible for the supervision of anti-money laundering or counter-terrorist financing in accordance with the regulation governing the prevention of money laundering and terrorist financing to examine, in the context of their verifications and based on risk

sensitive basis, the relevant information and documentation on the person for whom the application was submitted, and the Croatian National Bank may request access to the central AML/CFT database referred to in Regulation (EU) 2024/1620.

(14) A member of the supervisory board shall prior to appointment to that function in another credit institution again obtain prior approval to perform a supervisory board member function from the Croatian National Bank and paragraph (2) and paragraphs (6) to (13) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.

(15) Where the general assembly or a shareholder who under the Articles of Association has the right to appoint one or more supervisory board members wishes to reappoint a person who has already obtained approval, he shall once again follow the procedures prescribed in this Article.

(16) A credit institution shall submit an application for prior approval to perform a supervisory board member function referred to in paragraph (2) and paragraphs (14) and (15) of this Article at least four months prior to the planned appointment of an individual supervisory board member.

(17) The provisions of this Article shall not apply to a supervisory board member appointed by units of regional or local authorities in the Republic of Croatia and to a supervisory board member over whose selection and appointment a credit institution’s management body has no authority.

(18) Supervisory board members referred to in paragraph (17) of this Article shall fulfil the criteria referred to in Article 48, paragraph (1) of this Act.

Prior approval to perform the function of the chairperson of the supervisory board

Article 50

(1) One of the supervisory board members shall be appointed as chairperson of the supervisory board and only a person who has obtained prior approval from the Croatian National Bank to perform the function of chairperson of the supervisory board may be appointed as chairperson of the supervisory board.

(2) Articles 48 and 49 of this Act shall apply *mutatis mutandis* to prior approval to perform the function of the chairperson of the supervisory board.

(3) The chairperson of the supervisory board shall be appointed by the general assembly.

Revocation of approval to perform the function of the chairperson or a member of the supervisory board

Article 51

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

1) where the chairperson or a member of the supervisory board no longer fulfils the criteria for membership in the supervisory board of a credit institution referred to in Article 48 of this Act;

2) where the person for whom prior approval was granted does not assume the office to which the approval relates within six months of the approval; or

3) where, in the case of a renewed procedure, it is established that the prior approval to perform the function of the chairperson or a supervisory board member was based on false or inaccurate data or statements relevant to the granting of that approval.

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

1) where the chairperson or a member of the supervisory board breaches the provisions on duties and responsibilities of the supervisory board referred to in Articles 183, 187, 190 and 191 of this Act;

2) where the conditions for imposing early intervention measures have arisen in accordance with Article 271 of this Act.

(3) Prior approval to perform the function of the chairperson or a member of the supervisory board of a credit institution shall lapse:

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

2) where a credit institution’s authorisation has been withdrawn or has lapsed, on the date of withdrawal or lapsing.

(4) In carrying out the procedure referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall be authorised to request information from the chairperson or members of the supervisory board of such scope and nature that enable verification of the existence of facts and circumstances referred to in paragraphs (1) and (2) of this Article.

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

TITLE VII
KEY FUNCTION HOLDERS

Key function holders

Article 52

(1) A credit institution shall identify key functions in the credit institution.

(2) Persons who at all times fulfil the following criteria may be key function holders in a credit institution:

1) they are of good repute and act with honesty and integrity; and

2) they possess adequate knowledge, skills and experience necessary to perform their duties effectively.

(3) A credit institution shall ensure that the key function holder at all times fulfils the criteria referred to in paragraph (2) of this Article, assess the suitability of key function holders before they take up their position and periodically conduct assessment of their suitability.

(4) If a credit institution establishes, based on the conducted suitability assessment, that a person does not fulfil the criteria set out in paragraph (2) of this Article, the credit institution shall:

1) not appoint that person as key function holder, if the suitability assessment was completed before that person takes up the position;

2) remove that person from the position of key function holder in a timely manner;

3) take additional measures, in a timely manner, necessary to ensure that the key function holder is or becomes suitable.

(5) A credit institution shall take all necessary measures to ensure that the function of a key function holder is carried out in an appropriate manner, including the replacement of a key function holder where this person ceases to fulfil the suitability criteria.

(6) A credit institution’s management board shall adopt an appropriate selection policy and a policy for assessing the suitability of key function holders in a credit institution, in accordance with the subordinate legislation adopted pursuant to paragraph (8) of this Article and ensure the implementation of that policy.

(7) A person whose suitability is assessed in accordance with this Article and who has been determined to have been convicted by a judgement with final force and effect of criminal offences referred to in Article 33, paragraph (2) of this Act, shall not be deemed of good repute.

(8) The Croatian National Bank shall adopt subordinate legislation to regulate the criteria referred to in paragraph (2) of this Article, the procedure for suitability assessment of key function holders by the credit institution, the contents of the policy referred to in paragraph (6) of this Article, the dynamics of assessment of the fulfilment of the criteria for key function holders and the information and documentation to be enclosed with the suitability assessment and submitted to the Croatian National Bank, evidencing the fulfilment of the criteria referred to in paragraph (2) of this Article for the entities referred to in Article 53, paragraph (1) of this Act.

Appointment to the function of the head of the internal control functions and the chief financial officer

Article 53

(1) Within three working days of the appointment of the head of the internal control function and the chief financial officer, the following entities shall submit to the Croatian National Bank a suitability assessment together with the information and documentation evidencing fulfilment of the criteria for their appointment referred to in Article 52, paragraph (2) of this Act:

1) an EU parent credit institution having its head office in the RC, that qualifies as a large credit institution;

2) an RC parent credit institution, that qualifies as a large credit institution;

3) an EU stand-alone credit institution having its head office in the RC, which is considered a large credit institution;

4) a large subsidiary;

5) an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC, which has a large credit institution within the group, with the exception of those granted exemption pursuant to Article 88 of this Act.

(2) The Croatian National Bank shall be authorised to obtain from the ministry responsible for the judiciary, based on a reasoned request, data on whether the person for whom the entity referred to in paragraph (1) submitted a suitability assessment and other information and documentation in accordance with the subordinate legislation adopted pursuant to Article 52, paragraph (8) of this Act, has been convicted by a judgement with final force and effect of criminal offences and misdemeanours in the Republic of Croatia and criminal offences and misdemeanours in a Member State, from:

1) the criminal records or the European Criminal Records Information System in accordance with the regulation governing legal consequences of convictions, criminal records and rehabilitation, for criminal offences referred to in Article 33, paragraph (2) of this Act;

2) misdemeanour records.

(3) In the assessment of whether the head of the internal control function and the chief financial officer fulfil the criteria referred to in Article 52, paragraph (2) of this Act, the Croatian National Bank shall consult the European Banking Authority database and other records of imposed sanctions of European authorities it has access to.

(4) The Croatian National Bank shall assess, based on the submitted suitability assessment and the enclosed information and documentation, based on the data on judgements with final force and effect referred to in paragraph (2) of this Article and other information available to it, whether the head of the internal control function or the chief financial officer fulfils the criteria referred to in Article 52, paragraph (2) of this Act, and shall set the maximum period for concluding the suitability assessment, which may be subsequently extended.

(5) If the Croatian National Bank establishes that the head of the internal control function or the chief financial officer does not fulfil the criteria referred to in Article 52, paragraph (2) of this Act, it may instruct:

1) the entity referred to in paragraph (1) of this Article to remove from the position that head of the internal control function or the chief financial officer;

2) the entity referred to in paragraph (1) of this Article to take timely and additional appropriate measures to ensure suitability of that head of the internal control function or the chief financial officer.

(6) When assessing the suitability referred to in paragraph (3) of this Article, the Croatian National Bank may request from the authority responsible for the supervision of anti-money laundering and terrorist financing in accordance with the regulations governing the prevention of money laundering or counter-terrorist financing to examine, in the context of its verifications and based on a risk-sensitive basis, the relevant information concerning the person being assessed in accordance with this Article, and the Croatian National Bank may request access to the central AML/CFT database referred to in Regulation (EU) 2024/1620.

(7) Where the Croatian National Bank assesses that the criteria referred to in Article 52, paragraph (2) of this Act have been fulfilled, it shall notify the entity referred to in paragraph (1) of this Article thereof within the time limit referred to in paragraph (4) of this Article.

(8) The entity referred to in paragraph (1) of this Article shall, immediately after becoming aware of new facts or other circumstances that can affect the suitability of the head of the internal control function or the chief financial officer, conduct a new assessment of suitability and shall inform the Croatian National Bank of the results of that assessment without delay.

(9) Where the Croatian National Bank becomes aware, *inter alia,* also based on the information referred to in paragraph (8) of this Article and the information and documentation that the entity referred to in paragraph (1) of this Article submitted in accordance with the subordinate legislation adopted pursuant to Article 52, paragraph (8) of this Act, of information that can affect the suitability assessment of the head of the internal control function or the chief financial officer, it shall conduct a reassessment referred to in paragraph (4) of this Article.

(10) The Croatian National Bank shall not be obligated to conduct a new suitability assessment for the head of the internal control function or the chief financial officer when renewing or extending their term of office, unless new circumstances, facts or events have occurred that could affect the fulfilment of the criteria referred to in Article 52, paragraph (2) of this Act.

TITLE VIII
MANAGEMENT BODY AND KEY FUNCTION HOLDERS IN FINANCIAL HOLDING COMPANIES AND MIXED FINANCIAL HOLDING COMPANIES IN THE RC

Criteria for membership in the management body and for key function holders in a financial holding company and mixed financial holding company in the RC

Article 54

(1) A financial holding company or a mixed financial holding company, that has not been granted approval in accordance with Article 87 of this Act, shall ensure that members of its management body are of good repute and possess adequate knowledge, skills and experience as specified in Article 44, paragraph (1), items (1) and (2) and Article 48, paragraph (1), items (1) and (2) of this Act to perform their duties, while taking into account the specific role of the financial holding company or mixed financial holding company.

(2) A financial holding company or a mixed financial holding company referred to in paragraph (1) of this Article shall:

1) ensure suitability of the members of its management body;

2) inform the Croatian National Bank of each change to the members of the management body within eight days of the date of change and submit information about the fulfilment of the condition referred to in paragraph (1) of this Article.

(3) A financial holding company or a mixed financial holding company submitting an application for approval in accordance with Article 87 of this Act shall, when submitting an application for approval and prior to each reappointment of a management body member, request prior approval from the Croatian National Bank, and the provisions for members of the management body prescribed in Articles 41 to 51 of this Act and the subordinate legislation adopted pursuant to Article 44, paragraph (9) and Article 48, paragraph (18) of this Act shall apply to it.

(4) A financial holding company or a mixed financial holding company, that has been granted approval from the Croatian National Bank in accordance with Article 87 of this Act shall identify key functions and appoint key function holders in accordance with Title VII of this Act.

TITLE IX
FREEDOM TO PROVIDE SERVICES

CHAPTER I
PROVISION OF MUTUALLY RECOGNISED SERVICES OUTSIDE THE TERRITORY OF THE REPUBLIC OF CROATIA BY CREDIT INSTITUTIONS WITH HEAD OFFICES IN THE REPUBLIC OF CROATIA

Provision of services in another Member State

Article 55

(1) A credit institution having its head office in the Republic of Croatia or a financial institution having its head office in the Republic of Croatia that meets the conditions referred to in Article 65, paragraph (1) of this Act may, under the conditions laid down in this Act, provide mutually recognised services for which it is authorised in the Republic of Croatia through a branch or directly within the territory of another Member State.

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

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

Article 56

(1) A credit institution having its head office in the Republic of Croatia that intends to establish a branch in another Member State shall obtain from the Croatian National Bank an authorisation to establish a branch in another Member State (hereinafter referred to as 'authorisation to establish a branch in a Member State'), submitting an application for authorisation to establish a branch in a Member State (hereinafter referred to as 'application for authorisation to establish a branch in a Member State') and stating the Member State in which it intends to establish a branch, including the information on:

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

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

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

(2) A credit institution shall submit the information referred to in paragraph (1) of this Article to the Croatian National Bank in the scope laid down in Commission Delegated Regulation (EU) No 1151/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to

regulatory technical standards on the information to be notified when exercising the right of establishment and the freedom to provide services (Text with EEA relevance) (OJ L 309/1, 30. 10. 2014) (hereinafter referred to as 'Commission Delegated Regulation (EU) No 1151/2014') and in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 of 27 August 2014 laying down implementing technical standards with regard to standard forms, templates and procedures for notifications relating to the exercise of the right of establishment and the freedom to provide services according to Directive 2013/36/EU of the European Parliament and of the Council (Text with EEA relevance) (OJ L 254/2, 28. 8. 2014) (hereinafter referred to as 'Commission Implementing Regulation (EU) No 926/2014').

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

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

(5) If the Croatian National Bank grants the application to establish a branch in a Member State, it shall without delay, and at the latest within three months of the delivery date of complete and accurate information referred to in paragraph (1) deliver to the competent authority of the host Member State the information referred to in paragraph (1) of this Article together with the data on the amount and composition of own funds and the sum of the own funds requirements of the credit institution calculated in accordance with Article 92 of Regulation (EU) No 575/2013 in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and shall notify the applicant credit institution thereof.

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

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

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

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

(7) The Croatian National Bank shall notify the European Commission and the European Banking Authority about the refusal of a credit institution’s application to establish a branch in another Member State and failure to communicate information.

(8) The Croatian National Bank shall adopt subordinate legislation governing the conditions for granting authorisation to establish a branch in another Member State:

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

Article 57

(1) If a financial institution whose head office is in the Republic of Croatia and which is a subsidiary of one or more credit institutions which have their head office in the Republic of Croatia meets the conditions referred to in Article 65, paragraph (1) of this Act intends to provide mutually recognised financial services within the territory of another Member State through a branch, an RC parent credit institution of the said financial institution shall notify the Croatian National Bank thereof.

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

1) the information referred to in Article 56, paragraph (1) of this Act, in the scope and manner referred to in Article 56, paragraph (2) of this Act;

2) the information and documentation verifying compliance with the conditions referred to in Article 65, paragraph (1) of this Act;

3) data on the amount and composition of own funds or the amount of other prescribed form of capital of the financial institution and the total risk exposure of the credit institution which is its parent undertaking; and

4) authorisation by the supervisory authority, where required, to establish a branch of the financial institution in another Member State.

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

(4) The Croatian National Bank shall check, at the latest within 60 days of the delivery date of complete and accurate information referred to in paragraph (1) of this Article, whether the financial institution meets the

conditions referred to in Article 65, paragraph (1) of this Act and, if it assesses that these conditions have been met, it shall supply the financial institution with a certificate of compliance through the parent credit institution.

(5) The Croatian National Bank shall deliver, without delay, to the competent authority of the host Member State, within the time limit of three months of the delivery date of complete and accurate information referred to in paragraph (1) of this Article, the notification in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and a certificate of compliance, and enclose data on the amount and composition of own funds or other prescribed form of capital of the financial institution, the sum of consolidated own funds and capital requirements of the group of credit institutions in the RC of which that financial institution is a member, as well as data on the total risk exposure amounts of the group of credit institutions.

(6) The Croatian National Bank shall not deliver the notifications referred to in paragraphs (4) and (5) of this Article to the competent authority of the host Member State but shall issue a decision refusing the delivery of the notification and deliver it to the parent credit institution in the RC, if, on the basis of available information, it assess that:

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

2) this could jeopardise the safety and stability of the credit or financial institution's operation.

(7) By way of derogation from paragraph (1) of this Article, financial institutions that have been authorised by a competent authority in the Republic of Croatia shall, for the purpose of providing services in another Member State, be subject to the laws governing their operation.

(8) If the Croatian National Bank establishes that a financial institution that has begun to provide services in another Member State no longer meets any of the conditions referred to in Article 65, paragraph (1) of this Act, it shall notify the parent credit institution in the RC and the competent authority of the host Member State thereof without delay.

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

(10) Article 56, paragraph (7) and Articles 119 to 123 of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

Commencement of the provision of services through a branch

Article 58

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

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

2) if it has not received the notification referred to in item (1) of this paragraph, following the expiry of a period of two months of receipt by the competent authority of the host Member State of the notification and the information and documentation referred to in Article 56, paragraph (1), item (1) of this Act.

(2) Where a credit institution that has been authorised by the Croatian National Bank to establish a branch in another Member State intends to establish any further branches in the same Member State, it shall notify the Croatian National Bank thereof, in which case the provisions of Article 56 of this Act shall apply.

(3) The provisions of paragraph (1) of this Article shall apply *mutatis mutandis* to the financial institution referred to in Article 57 of this Act.

Changes in branch data

Article 59

(1) A credit institution that has been authorised to establish a branch in another Member State, which intends to change some of the data referred to in Article 56, paragraph (1) of this Act or a parent credit institution of the financial institution referred to in Article 57 of this Act that intends to change any of the data referred to in Article 57, paragraph (2) of this Act, shall, at least one month before effecting the change, notify thereof the Croatian National Bank in order to enable the Croatian National Bank to take actions in accordance with Articles 56 and 57 of this Act, and the competent authority of the host Member State.

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

Withdrawal of authorisation to establish a branch in another Member State

Article 60

(1) The Croatian National Bank may withdraw a credit institution's authorisation to establish a branch in another Member State:

a) where the branch fails to commence its business operations within six months of obtaining the authorisation;

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

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

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

(2) The Croatian National Bank may withdraw a credit institution's authorisation to establish a branch in another Member State:

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

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

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

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

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

Direct provision of services in another Member State

Article 61

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

(2) An RC parent credit institution that is a parent undertaking of a financial institution meeting the requirements referred to in Article 65, paragraph (1) of this Act and that intends to begin to directly provide mutually recognised services within the territory of another Member State shall notify the Croatian National Bank thereof in advance and state the Member State in which that financial institution intends to provide services directly.

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

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

(5) A credit or financial institution may begin to directly provide the mutually recognised services listed in the notification referred to in paragraphs (1) and (2) of this Article from the date of receipt of a notification from the Croatian National Bank that the notification referred to in paragraph (4) of this Article has been delivered to the competent authority of the Member State.

CHAPTER II
PROVISION OF BANKING AND/OR FINANCIAL SERVICES IN A THIRD COUNTRY

Provision of services in a third country

Article 62

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

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

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

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

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

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

(4) The Croatian National Bank may request additional information and documentation within one month of receipt of the application referred to in paragraph (3) of this Article, and where it requests such information, the date of their delivery shall be deemed to be the date of receipt of a complete application.

(5) The Croatian National Bank shall decide on the application to establish a branch in a third country within 60 days of the day of delivery of a complete application.

(6) The Croatian National Bank shall refuse the application to establish a branch in a third country if, on the basis of the information available to it, it assesses that the credit institution with a head office in the Republic of Croatia that intends to establish a branch:

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

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

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

(7) Where a credit institution with a head office in the Republic of Croatia that has been authorised by the Croatian National Bank to establish a branch in a third country intends to establish any further branches in the same country, it shall notify the Croatian National Bank thereof and in such cases the provisions of paragraphs (1) to (6) of this Article shall apply.

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

(9) The Croatian National Bank shall withdraw the decision authorising a credit institution with a head office in the Republic of Croatia to establish a branch in a third country:

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

2) where, in the case of a renewed procedure, it is established that the authorisation was granted on the basis of false or inaccurate data relevant for the adoption of that authorisation; or

3) where the branch fails to commence its business operations within six months of obtaining authorisation; or

4) where the branch has not provided services covered by the authorisation for more than six months.

(10) The Croatian National Bank may withdraw the decision authorising a credit institution with a head office in the Republic of Croatia to establish a branch in a third country:

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

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

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

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

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

CHAPTER III
ESTABLISHMENT OF REPRESENTATIVE OFFICES OUTSIDE THE REPUBLIC OF CROATIA

Establishment of representative offices outside the Republic of Croatia

Article 63

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

CHAPTER IV
PROVISION OF MUTUALLY RECOGNISED SERVICES BY CREDIT INSTITUTIONS WITH HEAD OFFICES OUTSIDE THE REPUBLIC OF CROATIA WITHIN THE TERRITORY OF THE REPUBLIC OF CROATIA

SECTION 1
SUBSIDIARIES AND THE FREEDOM TO PROVIDE MUTUALLY RECOGNISED SERVICES BY CREDIT INSTITUTIONS FROM MEMBER STATES

Provision of services by credit institutions from other Member States

Article 64

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

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

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

Article 65

(1) A financial institution from another Member State may provide those mutually recognised services referred to in Article 13, paragraph (1), item (2) of this Act that it is authorised to provide in the home Member State through a branch or, on a temporary basis, directly within the territory of the Republic of Croatia, provided that the following conditions are met:

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

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

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

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

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

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

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

(3) Article 6 and Articles 124 to 131 of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

Providing services through a branch in the Republic of Croatia

Article 66

(1) A credit institution from another Member State or the financial institution referred to in Article 65 of this Act that intends to establish a branch within the territory of the Republic of Croatia may submit an application to enter the branch in the register of companies and begin to provide services following the expiry of a period of two months of receipt by the Croatian National Bank of the notification from the competent authority of the home Member State in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

(2) By way of derogation from paragraph (1) of this Article, a credit institution from another Member State or the financial institution referred to in Article 65 of this Act may submit an application to enter the branch even before the expiry of the time limit referred to in paragraph (1) of this Article if it received from the Croatian National Bank a notification of the conditions which, in the interests of the general good, it shall meet when providing services within the territory of the Republic of Croatia.

(3) A credit institution from another Member State or the financial institution referred to in Article 65 of this Act that intends to subsequently change any of the data delivered to the competent authority of the home Member State, shall, in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, notify the Croatian National Bank there of at least one month before effecting the change.

(4) If a competent authority of the home Member State notifies the Croatian National Bank that the financial institution referred to in Article 65 of this Act does not meet any of the conditions referred to in Article 65, paragraph (1) of this Act, the regulations of the Republic of Croatia shall apply to the operation of that financial institution.

(5) In the case referred to in paragraph (4) of this Article, the Croatian National Bank shall forward the notification from the competent authority of home Member State to the supervisory authority in the Republic of Croatia.

Direct provision of services in the Republic of Croatia

Article 67

A credit institution from another Member State or the financial institution referred to in Article 65 of this Act may begin to directly provide mutually recognised services within the territory of the Republic of Croatia on the date of receipt by the Croatian National Bank of the notification thereof from the competent authority of that Member State, including a list of services this credit institution of financial institution intends to provide within the territory of the Republic of Croatia.

Application of other provisions to credit institutions from other Member States

Article 68

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

1) the supervision of credit institutions (Title XI, Chapter VII of this Act);

2) the measures and instruments aimed at safeguarding the stability of the financial system as a whole, strengthening the resilience of the financial system and preventing and mitigating systemic risks (Article 249 of this Act);

3) consumer protection (Articles 307 to 323 of this Act);

4) the obligation of banking secrecy (Articles 327 to 329 of this Act);

5) the exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 338, paragraphs (2) to (5) of this Act).

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

1) the supervision of credit institutions (Title XI, Chapters I, II, VII and X of this Act);

2) reporting at the request of the Croatian National Bank (Article 214 of this Act);

3) the measures and instruments aimed at safeguarding the stability of the financial system as a whole, strengthening the resilience of the financial system and preventing and mitigating systemic risks (Article 249 of this Act);

4) consumer protection (Articles 307 to 323 of this Act);

5) the obligation of banking secrecy (Articles 327 to 329 of this Act);

5) the exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 338, paragraphs (2) to (5) of this Act).

7) the notification of breaches of applicable regulations (Articles 351 and 352 of this Act);

8) imposing administrative sanctions (Articles 353 to 371 of this Act).

(3) The credit institution referred to in paragraph (1) of this Article, the branch of a credit institution referred to in paragraph (2) of this Article and the financial institution referred to in Article 65 of this Act shall also comply with other regulations which, in the interests of the general good, apply within the territory of the Republic of Croatia.

SECTION 2
THIRD-COUNTRY BRANCH

Definitions for implementing the provisions of this Section

Article 69

For the purpose of implementing this Section and Title XI, Chapter VIII of this Act, the following terms shall have the following meaning:

1) '*third-country branch*' means a branch established in the Republic of Croatia whose founder is:

a) an undertaking established in a third country carrying out the activities referred to in Article 12, paragraph (1), item (1) of this Act; or

b) a credit institution which has its head office in a third country;

2) '*head undertaking*' means an undertaking established in a third country which has established a third-country branch in the Republic of Croatia, and the intermediate or ultimate parent undertaking of that undertaking.

Establishment of a third-country branch

Article 70

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

(2) An undertaking established in a third country referred to in Article 69, item (1), sub-item (a) of this Act may provide the service referred to in Article 12, paragraph (1), item (1) of this Act within the territory of the Republic of Croatia only through a branch, provided it is authorised to provide such service in the third country.

(3) The founding undertaking referred to in paragraphs (1) or (2) of this Article intending to establish a branch within the territory of the Republic of Croatia shall obtain authorisation from the Croatian National Bank to do so (hereinafter referred to as 'authorisation to establish a third-country branch').

(4) The authorisation to establish a third-country branch referred to in paragraph (3) of this Article shall contain a list of services that a third-country branch may provide within the territory of the Republic of Croatia, and the third-country branch shall, prior to entry of each new service in the register of companies, obtain a new approval from the Croatian National Bank.

(5) A third-country branch may be entered in the register of companies after obtaining an authorisation to establish a third-country branch referred to in paragraph (3) of this Article.

(6) The founding undertaking referred to in paragraphs (1) or (2) of this Article may establish only one branch within the territory of the Republic of Croatia, and if that undertaking wishes to carry out business in several locations within the Republic of Croatia, it may open one or more organisational units.

(7) By way of derogation from paragraphs (1) and (2) of this Article, an application for authorisation to establish a third-country branch (hereinafter referred to as 'application to establish a third-country branch') does not necessarily need to be submitted by the founding undertaking referred to in paragraphs (1) or (2) of this Article providing the services or carrying out the activities for the client or a counterparty established or located in the European Union, and provided that client or other counterparty is:

1) a retail client, an eligible counterparty or a professional investor as defined by regulation governing the capital market or the national regulation of Member States transposing Sections I and II of Annex II of Directive 2014/65/EU established or situated in the European Union where such client or other counterparty approaches

an undertaking established in a third country at its own exclusive initiative for the provision of any service or activity referred to in Article 69, item (1), sub-item (a) of this Act;

2) a credit institution;

3) an undertaking belonging to the same group as the undertaking established in a third country.

(8) Within the meaning of paragraph (7), item (1) of this Article, the provision of services shall not be deemed to be on client's or other counterparty own initiative or potential client's or other counterparty's initiative when the founding undertaking referred to in paragraphs (1) or (2) of this Article from a third country solicits a client or other counterparty or a potential client or other counterparty, through an entity acting on its behalf or an entity with close links to that third-country undertaking or through any other person acting on behalf of the founding undertaking referred to in paragraphs (1) or (2) of this Article.

(9) The Croatian National Bank shall be authorised to request from the founding undertaking and third-country branch with a head office in the Republic of Croatia to provide information it needs to monitor the services provided in the Republic of Croatia exclusively on the initiative of a client or other counterparty established or located in the Republic of Croatia if these services are provided by an undertaking from a third country belonging to the same group.

(10) A founding undertaking and a third-country branch with a head office in the Republic of Croatia shall deliver to the Croatian National Bank the information referred to in paragraph (9) of this Article.

(11) If an undertaking established in a third country referred to in Article 69, item (1), sub-item (a) of this Act provides services referred to in paragraph (2) of this Article on the initiative of a client or other counterparty, it shall be authorised to provide only the services which the client or other counterparty require and shall not offer or provide any other service except through a third-country branch established in the Republic of Croatia.

(12) In the event referred to in paragraph (7) of this Article, an undertaking established in a third country shall not be obligated to establish a branch in the Republic of Croatia to provide services, activities or products necessary for or closely linked to the provision of services, activities or products originally sought by a client or other counterparty, including in cases in which such a service, activity or product are provided subsequently alongside the originally sought service.

(13) By way of derogation from paragraph (3) of this Article, the founding undertaking referred to in paragraph (2) of this Article shall not be obligated to submit to the Croatian National Bank an application to establish a third-country branch referred to in this Chapter for the provision of services or activities listed in the regulation governing the capital market and transposing into national legislation of Member States Annex I, Section A of Directive 2014/65/EU, including any accommodating ancillary services, such as related deposit taking or the granting of credit or loans the purpose of which is the provision of services in accordance with that regulation.

Classification of third-country branches

Article 71

(1) The Croatian National Bank shall classify a third-country branch as class 1 if it meets any of the following conditions:

1) the total accounting value of assets of a third-country branch in the Republic of Croatia or the total value of assets originated in the third-country branch in the Republic of Croatia is equal or greater than EUR 5 billion, as shown in the annual reporting period immediately preceding the current period, in accordance with Article 83 of this Act;

2) the authorised provision of services by a third-country branch includes taking deposits or other repayable funds from the public, provided that the amount of such deposits and other repayable funds is equal to or greater than 5% of total liabilities of the a third-country branch or that the amount of such deposits and other repayable funds exceeds EUR 50 million; or

3) a third-country branch shall not be considered a qualified third-country branch in accordance with Article 72 of this Act.

(2) Where a third-country branch does not meet any of the conditions referred to in paragraph (1) of this Article, the Croatian National Bank shall classify such branch as class 2.

(3) The Croatian National Bank shall determine the class of a branch in the decision on authorisation to establish a third-country branch.

(4) If the Croatian National Bank determines that a third-country branch no longer meets any of the conditions referred to in paragraph (1) of this Article, it shall issue a decision classifying that branch as a class 2 branch.

(5) If the Croatian National Bank determines that a third-country branch classified as class 2 has begun meeting one of the conditions referred to in paragraph (1) of this Article, it shall issue a decision to that branch classifying it as class 1, effective after a period of four months from the date when it began meeting this condition.

(6) A third-country branch shall notify the Croatian National Bank without delay of each change in the conditions referred to in paragraph (1) of this Article.

Criteria for a qualified third-country branch

Article 72

(1) A third-country branch shall be considered a qualified third-country branch if all of the following conditions are met:

1) the head undertaking is established in a country applying prudential standards and supervisory oversight in accordance with banking regulatory framework of that third country that are at least equivalent to those laid down in this Act and Regulation (EU) No 575/2013;

2) the competent or supervisory authority of the head undertaking is subject to the duty to protect the confidentiality of information, which is at least equivalent to the provisions on confidentiality under this Act;

3) the head undertaking is established in a third country that is not included in the list of high-risk third countries which have strategic deficiencies in their national AML/CFT regimes, published by the European Commission in accordance with Article 9 of Directive (EU) 2015/849.

(2) Upon receipt of the application to establish a third-country branch, in accordance with Article 73, paragraph (3) of this Act, the Croatian National Bank shall assess the conditions laid down in paragraph (1) of this Article and Article 71 of this Act for the purpose of classification of third-country branches.

(3) If the relevant third country is not listed in the public register of third countries and competent authorities meeting the conditions referred to in paragraph (1), item (1) of this Article kept by the European Banking Authority, the Croatian National Bank shall request from the European Commission to assess the banking regulatory framework of that third country and confidentiality requirements for the purpose of the assessment referred to in paragraph (2) of this Article, provided the condition referred to in paragraph (1), item (3) of this Article is met.

(4) Pending adoption of a decision of the European Commission in accordance with paragraph (3) of this Article, the Croatian National Bank shall classify third-country branches as class 1.

Minimum conditions for granting authorisations to establish a third-country branch

Article 73

(1) The Croatian National Bank shall endeavour to enter into an agreement with the competent authority or a supervisory authority from a third country before a third-country branch begins to provide services in the Republic of Croatia, that will be based on model administrative arrangements developed by the European Banking Authority in accordance with Article 33, paragraph (5) of Regulation (EU) No 1093/2010, unless the agreement entered into pursuant to Article 154 of this Act departs from the said model.

(2) The Croatian National Bank shall submit to the European Banking Authority, without delay, information on each agreement entered into with the competent authority or a supervisory authority from a third country.

(3) The founding undertaking of a third-country branch shall submit to the Croatian National Bank an application to establish a third-country branch, enclosing:

1) a programme of operations specifying the planned business operations;

2) a list of activities referred to in Article 70, paragraphs (1) and (2) of this Act that the branch will conduct;

3) a description of the organisational structure and risk management system of a third-country branch in accordance with Article 79 of this Act;

4) an application for prior approval for persons who will be responsible for directing the business of the third-country branch; and

5) other information and documentation in accordance with the subordinate legislation adopted under paragraph (8) of this Act.

(4) The Croatian National Bank shall grant an authorisation to establish a third-country branch where all of the following conditions are met:

1) a third-country branch meets all the minimum regulatory requirements laid down in Articles 77 to 80 of this Act;

2) the services for which the head undertaking requested authorisation to establish a third-country branch shall be covered by the authorisation which that head undertaking has in a third country of establishment and these services be subject to supervision and oversight in that third country;

3) the competent authority or supervisory authority of the head undertaking in a third country shall be notified of the application to establish a third-country branch and shall receive a copy of that application and the information and documentation referred to in paragraph (3) of this Article.

4) For the purpose of executing its supervisory powers, the Croatian National Bank may receive all the necessary information on the head undertaking from the competent authority or the supervisory authority of that head undertaking and it may effectively coordinate the execution of its supervisory powers with supervisory activities of the competent authority or the supervisory authority of a third country, particularly in times of crisis or financial difficulties which affect the head undertaking, its group or the financial system of the third-country;

5) the conditions for the provision of that service in the Republic of Croatian have been met; and

6) there are no reasonable grounds to suspect that a third-country branch might be used to commit or facilitate money laundering or terrorist financing in terms of regulations transposing into national legislation of Member States Article 1 of Directive (EU) 2015/849.

(5) The Croatian National Bank shall indicate explicitly in the authorisation to establish a third-country branch that a third-country branch that has received an authorisation to establish a third-country branch may provide services for which the authorisation was granted only in the Republic of Croatia, prohibiting it to offer or provide these services in other Member States on a cross-border basis, with the exception of intragroup funding transactions concluded with other third-country branches and transactions entered into on the basis of reverse solicitation of services.

(6) To assess if the condition referred to in paragraph (4), item (5) of this Article is met, the Croatian National Bank shall consult with an authority in the Republic of Croatia responsible for the supervision of prevention of money laundering and terrorist financing in accordance with the regulation on the prevention of money laundering and terrorist financing transposing into national legislation of Member States Directive (EU) 2015/849.

(7) The time limit referred to in Article 348 of this Act for deciding on the application to establish a third-country branch shall not run until the Croatian National Bank receives a written acknowledgement from the authority referred to in paragraph (6) of this Article that the condition referred to in paragraph (4), item (5) of this Article has been met.

(8) The Croatian National Bank shall adopt subordinate legislation to regulate the information and documentation to be enclosed with the application to establish a third-country branch, including the procedures to be followed when granting authorisation to establish a third-country branch, the conditions for granting authorisations to establish a third-country branch and the forms for submitting the applications to establish a third-country branch.

Conditions for refusing authorisations to establish a third-country branch

Article 74

(1) The Croatian National Bank shall refuse an application to establish a third-country branch if:

1) a third-country branch does not meet the conditions for authorisation laid down in Article 73, paragraph (4) of this Act;

2) the head undertaking or its group does not meet the prudential requirements applicable to them under third-country law or there are reasonable grounds to suspect they do not meet these requirements or will breach them in the next 12 months.

(2) For the purpose of implementing paragraph (1), item (2) of this Article, the founding undertaking from a third country shall notify the Croatian National Bank without delay of the existence of circumstances referred to in paragraph (1), item (2) of this Article.

Conditions for withdrawing authorisations to establish a third-country branch

Article 75

(1) The Croatian National Bank may withdraw an authorisation to establish a third-country branch where any of the following conditions are met:

1) a third-country branch no longer meets any of the conditions referred to in Article 73, paragraph (4) of this Act;

2) a third-country branch fails to commence its business operations within 12 months of the day of granting of the authorisation to establish a third-country branch;

3) a third-country branch submits a written notification to the Croatian National Bank stating that it no longer intends to provide services in the Republic of Croatia;

4) a third-country branch ceases to provide services in the Republic of Croatia on its own initiative for a period exceeding six months;

5) in the case of a renewed procedure, it is established that the authorisation to establish a third-country branch was based on false or inaccurate data relevant to the issuing of that authorisation;

6) a third-country branch no longer meets additional conditions or requirements used as a basis for granting the authorisation to establish a third-country branch;

7) a third-country branch can no longer be expected to meet its obligations to creditors, in particular because the third-country branch no longer provides security for the assets entrusted to it by its depositors and it can no longer meet other financial obligations in the Republic of Croatia;

8) a third-country branch fails to meet the requirements relating to deposit insurance laid down in the law governing the deposit insurance scheme;

9) a third-country branch does not operate in accordance with applicable regulations of the Republic of Croatia and regulations of the European Union governing the operation of credit institutions;

10) any of the reasons for refusing an authorisation referred to in in Article 74, paragraph (1) of this Act have arisen in respect of a third-country branch;

11) there are reasonable grounds to suspect that, in connection with a third-country branch, its head undertaking or its group, money laundering or terrorist financing is being or has been committed or attempted, or that there is increased risk of committing or attempting money laundering or terrorist financing in connection with a third-country branch, its head undertaking or its group.

(2) To assess if the condition referred to in paragraph (1), item (11) of this Article is met, the Croatian National Bank shall consult with an authority responsible for the supervision of prevention of money laundering and terrorist financing in accordance with the regulations transposing into national legislation of Member States the provisions of Directive (EU) 2015/849.

(3) Authorisation to establish a third-country branch shall lapse:

1) where the competent authority withdrew or annulled the third-country founding undertaking's authorisation, as of the date of revocation or annulment of authorisation;

2) where a third-country founding undertaking ceases to exist in the country of its establishment or where, under the regulations of that country, it loses its business capacity, i.e. if the competent court removes that undertaking from the register of companies or other relevant register, or the institution loses the right to dispose of its assets, as of the date when one of the reasons arises;

3) where a third-country founding undertaking adopts a decision on winding-up of the branch, as of the date of effect of the decision on winding-up;

4) where a competent court adopted a decision to initiate a compulsory winding-up of a third-country branch, as of the date of initiating the compulsory winding-up.

Granting and withdrawing of authorisation to provide individual services by a third-country branch

Article 76

The provisions on granting and withdrawing of authorisations for an individual financial service referred to in Title III of this Act shall apply to the granting and withdrawing of authorisations for individual financial services by a third-country branch.

Capital endowment requirement for a third-country branch

Article 77

(1) A third-country branch shall keep on an ongoing basis a minimum amount of capital endowment, which is at least equal:

1) in case of a third-country branch classified as class 1, 2.5% of the average liabilities of a third-country branch for three annual reporting periods immediately preceding the current period or, for a third-country branch which has been granted a new authorisation to establish a third-country branch, the liabilities of the branch at the time of granting of that authorisation, as shown in accordance with Article 83 of this Act, but not less than EUR 10 million;

2) in case of a third-country branch classified as class 2, 0.5% of the average liabilities of a third-country branch for three annual reporting periods immediately preceding the current period or, for a third-country branch which has been granted a new authorisation to establish a third-country branch, the liabilities of the

branch at the time of granting of that authorisation, as shown in accordance with Article 83 of this Act, but not less than EUR 5 million.

(2) A third-country branch shall meet the requirement for minimum capital endowment referred to in paragraph (1) of this Article in any of the following forms of assets:

1) cash or cash assimilated instrument as defined in Article 4, paragraph (1), item (60) of Regulation (EU) No 575/2013;

2) debt instruments issued by central governments or central banks of Member States; or

3) any other instrument available to a third-country branch for unrestricted and immediate use to cover risks or losses as soon as they occur.

(3) A third-country branch shall deposit the instruments of capital endowment referred to in paragraph (2) of this Article to an escrow account of a credit institution with a head office in the Republic of Croatia, which is not a part of the group of the head undertaking.

(4) The instrument of capital endowment deposited in the account referred to in paragraph (3) of this Article shall be available for resolution purposes in accordance with the regulation governing the resolution of credit institutions and investment firms in the case of resolution of a third-country branch and for compulsory winding-up of a third-country credit institution in accordance with the regulation governing compulsory winding -up of credit institutions.

(5) The following shall apply *mutatis mutandis* to a third-country branch:

1) Article 92 of Regulation (EU) No 575/2013;

2) provisions on capital adequacy (Articles 178, 179, 180 and 185 of this Act);

3) provisions on capital buffers, capital conservation measures and measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Title XVIII of this Act).

(6) The Croatian National bank shall adopt subordinate legislation to regulate the criteria to be met by various forms of assets to meet the requirements for minimum capital endowment referred to in paragraph (2) of this Article.

Liquidity requirement for a third-country branch

Article 78

(1) A third-country branch shall keep on an ongoing basis a quantity of unencumbered and liquid assets sufficient to cover liquidity outflows of that branch over a period of minimum 30 days.

(2) For the purpose of implementing paragraph (1) of this Article, a third-country branch shall meet the liquidity coverage requirement determined in Part VI, Title I of Regulation (EU) No 575/2013 and Commission Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (OJ L 11/1, 17. 1. 2015).

(3) A third-country branch shall deposit the liquid assets held for the purpose of meeting the requirements referred to in paragraph (1) of this Article in an account of a credit institution with a head office in the Republic of Croatia which is not a part of the group of the head undertaking.

(4) If there are any liquid assets left in the account referred to in paragraph (3) of this Article after it has been used to cover the liquidity outflows in accordance with paragraph (1) of this Article, the remaining liquid assets shall be available for resolution purposes in accordance with the regulation governing the resolution of credit institutions and investment firms in the case of resolution of a third-country branch and for compulsory winding-up of a third-country branch in accordance with the regulation governing compulsory winding-up of credit institutions.

Governance arrangements of a third-country branch

Article 79

(1) A third-country branch shall appoint at least two persons responsible for directing the business of the branch who will direct the business of the branch from the territory of the Republic of Croatia.

(2) The persons referred to in paragraph (1) of this Article shall be the persons authorised to represent the founding undertaking in the operations of the branch and prior to their appointment and entry in the register of companies, they shall obtain prior approval from the Croatian National Bank.

(3) The persons referred to in paragraph (1) of this Article shall at all times fulfil the criteria referred to in Article 44 of this Act.

(4) The provisions of Title VI of this Act shall apply *mutatis mutandis* to the procedure of granting and withdrawing prior approval referred to in paragraph (2) of this Article.

(5) A third-country branch shall appoint a management committee consisting of the persons referred to in paragraph (1) of this Article and persons exercising the authority of the supervisory board referred to in Title VI of this Act who shall meet the criteria referred to in Article 48 of this Act.

(6) Chapters II, IV, V and VI of Title XV of this Act shall apply *mutatis mutandis* to a third-country branch.

(7) A third-country branch shall, in accordance with Title XV, Chapter V of this Act put in place an internal controls system and appoint heads of internal control functions who shall be subject to *mutatis mutandis* application of the provisions of Title VII of this Act.

(8) A third-country branch shall establish the lines of reporting to the management body of the head undertaking comprising all material risks and risk management policies and their changes and establish appropriate ICT systems and controls to achieve compliance with these policies.

(9) A third-country branch shall monitor and manage outsourcing of its business processes and ensure the Croatian National Bank full access to all information it needs to perform its supervisory powers.

(10) A third-country branch participating in back-to-back operations or operations within a group shall have adequate resources to determine and duly manage counterparty credit risk if material risks associated with booked assets recorded in business books of a third-country branch are transferred to another counterparty.

(11) If the head undertaking of a third-country branch carries out its critical or important functions, these functions shall be carried out in accordance with internal policies or procedures or agreements within a group, and a third-country branch shall ensure the Croatian National Bank access to all information it needs to perform its supervisory powers.

(12) A third-country branch shall hire a certified auditor to give an assessment for each business year of the implementation and ongoing compliance of a third-country branch with the requirements under this Article and shall submit a report to the Croatian National Bank as a minimum once a year on the findings and conclusions of that assessment.

(13) The assessment referred to in paragraph (12) of this Article shall be subject to *mutatis mutandis* application of the provisions on accounting and audit for the purposes of the Croatian National Bank referred to in Title XVII of this Act.

(14) The Croatian National Bank shall adopt subordinate legislation to regulate the requirements on governance arrangements for third-country branches provided for under this Article.

Requirement for third-country branches to keep business books

Article 80

(1) A third-country branch shall keep business books to enable monitoring and comprehensive and accurate records of all the booked assets and liabilities of a third-country branch or all the assets and liabilities originating in a third-country branch in the Republic of Croatia and independent management of those assets and liabilities within a third-country branch.

(2) A third-country branch shall keep business books in such a manner that they provide all the necessary and sufficient information about the risks arising from the operations of that branch and how these risks are managed.

(3) A third-country branch shall prescribe and develop and regularly re-examine and update accounting policies and procedures for keeping business books referred to in paragraph (1) of this Article.

(4) The policies referred to in paragraph (3) of this Article shall be adopted by the management body of the head undertaking and the third-country branch shall document these policies and their amendments.

(5) The policies referred to in paragraph (3) of this Article shall clearly set out the procedure for keeping business books and determine the manner for achieving compliance of these procedures with the business strategy of a third-country branch.

(6) A third-country branch shall ensure regular preparation of an independent, written and a reasoned opinion on the implementation and ongoing compliance with the requirements referred to in this Article and its delivery to the Croatian National Bank, with the findings and conclusions included.

Power to request establishment of a subsidiary

Article 81

(1) The Croatian National Bank may instruct the founding undertaking referred to in Article 70, paragraphs (1) or (2) of this Act to submit an application for authorisation in accordance with Title III, Chapter II of this Act and to continue to operate as a credit institution in the following cases:

1) a third-country branch used to provide or currently provides services covered by the authorisation to establish a third-country branch shall, without prejudice to exemptions referred to in Article 70, paragraph (7) of this Act with clients or counterparties, in other Member States;

2) a third-country branch meets the indicators of systemic importance referred to in Article 247 of this Act or the Croatian National Bank has determined its systemic importance in accordance with Article 82 of this Act and poses significant risks to financial stability in the European Union or the Republic of Croatia;

3) the total amount of assets of all third-country branches in the European Union belonging to the same group from a third country equals or exceeds EUR 40 billion or the amount of booked assets of a third-country branch in the Republic of Croatia equals or exceeds EUR 10 billion; or

4) the assets and contingent liabilities of a third-country branch reported in its audited annual financial statements exceed 5% of total assets and contingent liabilities of all credit institutions in the Republic of Croatia.

(2) The Croatian National Bank may act in the manner referred to in paragraph (1) of this Article only after having imposed the measures referred to in Articles 82 of 132 of this Act or if it has determined that the measures referred to in these Articles would not be sufficient to eliminate considerable supervisory concerns.

(3) Prior to exercising the power referred to in paragraph (1) of this Article, the Croatian National Bank shall consult the European Banking Authority and the competent authorities of Member States in which the relevant third-country group has established other branches or subsidiaries.

(4) For the purpose of implementing paragraph (1), items (2), (3) and (4) of this Article and when conducting the assessment referred to in Article 82 of this Act, the Croatian National Bank as the competent or designated authority shall take into account the relevant indicators for the assessment of systemic importance of a third-country branch, which shall include, *inter alia*:

1) the size of a third-country branch;

2) the complexity of a third-country branch's structure, organisation and business model;

3) the degree of interconnectedness of a third-country branch with the financial system of the European Union and the Republic of Croatia;

4) the substitutability of the activities, services, operations or the financial infrastructure provided by the third-country branch;

5) the market share of a third-country branch in the European Union and in the Republic of Croatia as regards total banking assets and in relation to the activities and services it provides and the operations that it conducts;

6) the likely impact that a suspension of the provision of services or closure of the third-country branch's operations could have on liquidity of the financial system in the Republic of Croatia or the payment, clearing and settlement systems in the European Union and in the Republic of Croatia.

7) the role and importance of a third-country branch for the activities, services and operations of a third-country group in the European Union and in the Republic of Croatia;

8) the role and importance of a third-country branch in terms of resolution or compulsory winding-up based on the information of the resolution authority;

9) the volume of a third-country group's business being conducted through third-country branches, relative to the business of that same group conducted through subsidiary institutions authorised in the European Union and in the Member States where the third-country branches have their head office.

Assessment of systemic importance and requirements on systemic third-country branches

Article 82

(1) As the competent authority, the Croatian National Bank shall conduct the assessment referred to in paragraph (3) of this Article where the aggregate amount of assets in the European Union of all branches in the European Union belonging to the same third-country group, as reported in accordance with Article 83 of this Act equals or exceeds EUR 40 billion, either:

1) on average for the immediately preceding three annual reporting periods; or

2) in absolute terms for at least three annual reporting periods during the immediately preceding five annual reporting periods.

(2) The asset threshold referred to in paragraph (1), item (1) of this Article shall not include assets held by third-country branches in connection with market operations of central banks entered into with the central banks of the European System of Central Banks.

(3) If the total amount of assets in the European Union of all branches in the European Union equals or exceeds EUR 40 billion, the Croatian National Bank as the competent authority for the supervision of a third-country branch belonging to a third-country group shall assess if the third-country branch supervised by it is of

systemic importance and if it poses significant risk to financial stability of the European Union or the Republic of Croatia and to this end it shall particularly take into account the indicators of systemic importance referred to in Article 81, paragraph (4) and Article 247 of this Act.

(4) As part of the assessment referred to in paragraph (3) of this Article, the Croatian National Bank shall, as the competent or designated authority, consult the European Banking Authority and competent authorities of Member States where the relevant third-country group has established other third-country branches or subsidiaries to assess the risks to financial stability that a third-country branch with a head office in the Republic of Croatia poses for other Member States.

(5) The Croatian National Bank as the competent or designated authority shall submit its reasoned assessment of the systemic importance of a third-country branch for the European Union or the Republic of Croatia to the European Banking Authority and competent authorities of the Member States where the relevant third-country group has established other branches or subsidiaries.

(6) Where the Croatian National Bank receives from the competent authorities it consults with, within ten working days of their receipt of the assessment referred to in paragraph (5) of this Article submitted to them by the Croatian National Bank, the information that these authorities do not agree with the assessment of the systemic importance of a third-country branch, it shall make every effort, with the help from the European Banking Authority, to reach an agreement with these competent authorities on the assessment referred to in paragraph (3) of this Article and, where necessary, on the measures referred to in paragraph (8) of this Article no later than within three months of the date when the Croatian National Bank received the information on disagreement.

(7) Following expiry of the period referred to in paragraph (6) of this Article, the Croatian National Bank, as the competent authority for the supervision of a third-country branch that is the subject of assessment, shall issue a decision on the assessment of the systemic importance of the third-country branch and on the measures referred to in paragraph (8) of this Article.

(8) Where appropriate for addressing the identified risks, as the competent or designated authority, the Croatian National Bank may:

1) require the third-country branch to restructure its assets or activities in such a manner that it ceases to qualify as systemic in accordance with paragraph 2 of this Article or to cease posing unjustified risk to financial stability of the European Union or the Republic of Croatia; or;

2) impose additional prudential requirements on the third-country branch.

(9) If the Croatian National Bank as the competent or designated authority assesses that a third-country branch is systemically important, but has decided not to exercise any of the powers referred to in paragraph (8), item (i) of this Article or Article 81 of this Act, it shall submit a reasoned notification to the European Banking Authority and the competent authorities of Member States if the relevant third-country group has established other branches or subsidiaries and specify the reasons why it decided not to exercise these powers.

Regulatory and financial information on third-country branches

Article 83

(1) A third-country branch shall submit to the Croatian National Bank, in the manner prescribed by a delegated act adopted by the European Commission pursuant to Article 48.l of Directive 2013/36/EU and by a subordinate act referred to in paragraph (5) of this Article, the following information on:

1) the assets and liabilities held on its books in accordance with Article 80 of this Act and assets and liabilities originated in that branch, broken down by:

a) the largest reported assets and liabilities classified by sector and counterparty type, including, in particular, financial sector exposures;

b) significant exposure and funding source concentrations to specified types of counterparties;

c) significant internal transactions with the head undertaking and with members of the head undertaking’s group;

2) the third-country branch’s compliance with the requirements that apply to them under this Act;

3) on request, the deposit protection arrangements available to depositors in the third-country branch in accordance with the law governing the deposit insurance scheme;

4) additional regulatory requirements in accordance with this Act and regulations adopted pursuant to this Act.

(2) For the purposes of reporting the information on the assets and liabilities held on the books of a third-country branch in accordance with paragraph (1), item (a) of this Article, a third- country branch shall apply the international accounting standards in accordance with Regulation (EC) No 1606/2002.

(3) A third-country branch shall submit to the Croatian National Bank the following information on its head undertaking:

a) on a regular basis, aggregated information on the assets and liabilities held or booked, respectively, by the subsidiaries and other third-country branches of that head undertaking's group in the European Union;

b) on a regular basis, the head undertaking's compliance with its applicable prudential requirements on an individual and consolidated basis;

c) on an *ad hoc* basis, significant supervisory reviews and evaluations when those are conducted on the head undertaking and the consequent supervisory decisions;

d) the recovery plans of the head undertaking and the specific measures that could be taken on the third-country branch in accordance with those plans, and any subsequent updates and amendments to those plans;

e) the head undertaking's business strategy in relation to third-country branches, and any subsequent changes to that strategy; and

f) the list of services provided by the head undertaking to clients established or located in the European Union on the basis of reverse solicitation of services in accordance with Article 70 of this Act.

(4) A third-country branch shall submit the regulatory and financial information referred to in this Article within the time limits laid down in subordinate legislation referred to in paragraph (5) of this Article.

(5) The Croatian National Bank shall adopt subordinate legislation to regulate the content of the reports and notifications and the time limits and manner of reporting on the information referred to in this Article.

Notification of the European Banking Authority

Article 84

The Croatian National Bank shall notify the European Banking Authority the following:

1) all the authorisations to establish a third-country branch issued to a third-country branch and all subsequent changes to such authorisations;

2) total assets and liabilities booked by the authorised third-country branches, as periodically reported; and

3) the name of the third-country group to which the authorised third-country branch belongs.

Application of the provisions of this Act to the operation of a third-country branch

Article 85

(1) Unless otherwise provided by this Act, the provisions of this Act and regulations adopted pursuant to the provisions of this Act shall apply *mutatis mutandis* to a third-country branch.

(2) The provisions of Regulation (EU) No 575/2013 and regulations adopted under Regulation (EU) No 575/2013 shall apply *mutatis mutandis* to a third-country branch.

SECTION 3
REPRESENTATIVE OFFICES

Representative office of a credit institution established outside the Republic of Croatia

Article 86

(1) A credit institution established outside the Republic of Croatia shall notify the Croatian National Bank of its intention to establish a representative office of a credit institution established outside the Republic of Croatia in the Republic of Croatia (hereinafter referred to as 'representative office of a credit institution').

(2) The Croatian National Bank shall acknowledge to the credit institution with a head office outside the Republic of Croatia, within ten working days of the day of receipt of complete information, receipt of the notification on the intention and shall deliver that notification to the competent authority of that credit institution.

(3) The notification referred to in paragraph (2) of this Article shall include the following information:

1) a certificate from the register of companies or other relevant register where the credit institution established outside the Republic of Croatia is entered indicating its legal form, date of the entry in the register, and persons authorised to represent it and the scope of their powers or, if the credit institution is established in a country that does not keep such a register, legally valid documents on establishment indicating its legal form, date of establishment, persons authorised to represent it and the scope of their powers;

2) the address of the head office of the credit institution established outside the Republic of Croatia, which intends to establish a representative office;

3) the national reference code of the credit institution and the Legal Entity Identifier of the credit institution, where available;

4) a decision of the credit institution with a head office outside the Republic of Croatia on establishing a representative office in the Republic of Croatia and the planned date of the beginning of operation of the representative office;

5) information on the planned head office or the address of the representative office in the Republic of Croatia and contact information;

6) information on the national competent authority and an authorisation by the competent authority of the credit institution with a head office outside the Republic of Croatia to establish a representative office in the Republic of Croatia or information that such authorisation is not required;

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

8) a list of persons responsible for the operation of the representative office of a credit institution.

(4) A representative office of a credit institution may commence operations in the Republic of Croatia once the credit institution with a head office outside the Republic of Croatia receives the notification referred to in paragraph (2) of this Article.

(5) The representative office of a credit institution may carry out within the territory of the Republic of Croatia only those activities specified in Article 3, paragraph (1), item (99) of this Act.

(6) A credit institution established outside the Republic of Croatia shall notify the Croatian National Bank of the establishment of a representative office of a credit institution as well as dissolution of that representative office.

(7) The Croatian National Bank shall, within ten working days of receipt of the notification referred to in paragraph (6) of this Article, enter that information in the register of representative offices of credit institutions published on its website.

(8) The register of representative offices referred to in paragraph (7) of this Article shall contain:

1) the firm name, establishment and legal form of the credit institution with a head office outside the Republic of Croatia, which is the founder of the representative office of the credit institution;

2) the address of the head office of the representative office of the credit institution in the Republic of Croatia;

3) name of the person responsible for the operation of the representative office of the credit institution and contact information.

TITLE X
FINANCIAL HOLDING COMPANY AND MIXED FINANCIAL HOLDING COMPANY

Approval of financial holding companies and mixed financial holding companies

Article 87

(1) Where the Croatian National Bank is the consolidating supervisor, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company and an EU parent mixed financial holding company, which is a member of a group of credit institutions in the RC referred to in Article 135 of this Act shall submit an application for approval to the Croatian National Bank in accordance with this Article.

(2) Other financial holding companies or mixed financial holding companies shall also submit to the Croatian National Bank an application for approval in accordance with this Article where they are required to comply with this Act and/or Regulation (EU) No 575/2013 on a sub-consolidated basis or if designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis in accordance with Article 88, paragraph (2), item (4) of this Act.

(3) The Croatian National Bank shall regularly, and as a minimum once a year, review the parent credit institution to confirm that that credit institution, the entity that submitted the application for authorisation pursuant to Article 14 of this Act or the designated entity responsible for the group's compliance with prudential requirements on a consolidated basis, has correctly identified whether an undertaking meets the criteria to be considered an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company or an EU parent mixed financial holding company.

(4) If the Croatian National Bank determines that an undertaking meets the criteria to be considered an RC parent financial holding company, an RC parent mixed financial holding company, and EU parent financial holding company or an EU parent mixed financial holding company, it shall instruct that undertaking to submit an application in accordance with this Article.

(5) In the process of the review referred to in paragraph (3) of this Article, where a parent undertaking is located in a Member State other than that in which the credit institution, the entity that has submitted an application for authorisation in accordance with Article 14 of this Act, or the designated entity responsible for the group's compliance with the prudential requirements on a consolidated basis, are established, the Croatian National Bank shall cooperate with the competent authority from that Member State.

(6) The Croatian National Bank shall publish and update on its website on an annual basis the list of:

1) financial holding companies and mixed financial holding companies that have been granted approval in accordance with this Article;

2) financial holding companies and mixed financial holding companies that have been exempted from approval pursuant to the provisions of Article 88 of this Act; and

3) designated entities referred to in Article 88, paragraph (2) of this Act.

(7) If the Croatian National Bank has granted exemption from approval pursuant to the provisions of Article 88 of this Act, it shall state on the list referred to in paragraph (6) of this Article the designated entity, i.e. the credit institution, the financial holding company or mixed financial holding company designated for the group's compliance with prudential requirements on a consolidated basis.

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

1) information on the organisational structure of the group of which the financial holding company or mixed financial holding company is part, clearly indicating its subsidiaries and, where applicable, parent undertakings, and the location and type of services undertaken by each of the entities within the group;

2) an application for prior approval for members of the management body referred to in Article 54, paragraph (3) of this Act;

3) the information regarding compliance with the criteria referred to in Article 36 of this Act or the provisions transposing into national legislation of the Member States Article 14 of Directive 2013/36/EU on shareholders and members when a financial holding company or a mixed financial holding company has a subsidiary which is a credit institution;

4) information on the internal organisation and distribution of tasks within the group of credit institutions in the RC of which that financial holding company or mixed financial holding company is part;

5) all other information that might be necessary for the implementation of assessments referred to in paragraph (11) of this Article and Article 88, paragraph (2) of this Act, or the provisions transposing into national legislation of the Member States Article 21a, paragraphs (3) and (4) of Directive 2013/36/EU and other documentation prescribed in subordinate legislation adopted pursuant to paragraph (16) of this Article or pursuant to Article 88, paragraph (10) of this Act.

(9) If the procedure for approval referred to in paragraphs (1) and (2) of this Article or exemption from approval referred to in Article 88 of this Act of a financial holding company or a mixed-financial holding company takes place concurrently with the assessment referred to in Article 14, Title V or Article 292, paragraphs (1) and (2) of this Act, the Croatian National Bank as the consolidating supervisor shall, prior to adopting a decision, consult with the competent authority in a Member State where the financial holding company or a mixed financial holding company are established.

(10) In the case referred to in paragraph (9) of this Article, the assessment period referred to in Article 34, paragraph (6) and Article 291, paragraph (1) of this Act shall be suspended until the procedure referred to in this Article or Article 88 of this Act is complete.

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

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

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

b) prevent conflict of interest within the group or manage it and enforce the group-wide policies set by the parent financial holding company or parent mixed financial holding company throughout the group;

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

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

b) the shareholding structure; and

c) the role of the financial holding company or mixed financial holding company within the group;

3) the criteria referred to in Article 36 of this Act relating to shareholders of a credit institution and the requirements referred to in Article 54 of this Act relating to shareholders or members of the management body of the financial holding company or mixed financial holding company.

(12) A financial holding company or mixed financial holding company that has been granted approval by the Croatian National Bank in accordance with this Article shall meet on an ongoing basis the criteria referred to in paragraph (11) of this Article and to notify the Croatian National Bank without delay about changes in circumstances based on which the authorisation was granted, which could affect the meeting of the criteria referred to in paragraph (11) of this Article.

(13) As the consolidating supervisor, the Croatian National Bank shall monitor on an ongoing basis whether the financial holding company or mixed financial holding company meets the criteria referred to in paragraph (11) of this Article.

(14) A financial holding company or a mixed financial holding company shall submit to the Croatian National Bank as the consolidating supervisor, at the latest four months after the expiry of the calendar year, the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the criteria referred to in paragraph (11) of this Article.

(15) The Croatian National Bank, as the consolidating supervisor, shall exchange information with the competent authorities from a Member State of establishment of the financial holding company or mixed financial holding company.

(16) The Croatian National Bank shall adopt subordinate legislation to prescribe the documentation to be enclosed with the application for authorisation and the content of the reports and notifications and the time limits and the method of reporting information required to monitor on an ongoing basis the compliance with the conditions referred to in this Article.

Exemption from approval of financial holding companies and mixed financial holding companies

Article 88

(1) By way of derogation from Article 87 of this Act, a financial holding company or a mixed financial holding company may submit an application for exemption from approval.

(2) The Croatian National Bank shall grant the exemption from approval referred to in paragraph (1) of this Article if all of the following conditions are met:

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

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

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

4) a subsidiary credit institution or a subsidiary financial holding company or a subsidiary mixed financial holding company that has been granted approval in accordance with Article 87 of this Act are designated as responsible for ensuring group’s compliance with prudential requirements on a consolidated basis and is given all the necessary means and legal authority to discharge those obligations in an effective manner.

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

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

(3) The financial holding company or mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in paragraph (2) of this Article shall be included in the scope of consolidation as laid down in this Act and Regulation (EU) No 575/2013.

(4) A financial holding company or a mixed financial holding company exempted from the approval referred to in paragraph (2) of this Article may submit an application for exclusion from the scope of consolidation, or exclusion from the group of credit institutions as specified in Article 135 of this Act.

(5) The Croatian National Bank may, based on the application referred to in paragraph (4) grant exclusion from the scope of consolidation if all of the following conditions are met:

1) the exclusion does not affect the effectiveness of the supervision of the subsidiary credit institution or the group;

2) a financial holding company or a mixed financial holding company has no equity exposures other than equity exposure in the subsidiary credit institution or intermediate parent financial holding company or mixed financial holding company controlling a subsidiary credit institution;

3) a financial holding company or a mixed financial holding company does not make substantial recourse to leverage and does not have exposures which are not related to its ownership in the subsidiary credit institution or in the intermediate parent financial holding company or mixed financial holding company controlling the subsidiary credit institution.

(6) A financial holding company or a mixed financial holding company referred to in paragraphs (1) and (2) of this Article exempted by the Croatian National Bank shall meet on an ongoing basis the conditions referred to in paragraph (2) of this Article and notify the Croatian National Bank without delay about changes in circumstances based on which the exemption referred to in paragraph (2) of this Article was issued, which could affect the meeting of the conditions for exemption.

(7) As the consolidating supervisor, the Croatian National Bank shall monitor on an ongoing basis whether the financial holding company or mixed financial holding company meets the conditions referred to in paragraph (2) of this Article.

(8) A financial holding company or a mixed financial holding company shall submit to the Croatian National Bank as the consolidating supervisor, at the latest four months after the expiry of the calendar year, the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in paragraph (2) of this Article.

(9) As the consolidating supervisor, the Croatian National Bank shall exchange information with the competent authorities from the Member State of establishment of the financial holding company or mixed financial holding company.

(10) The Croatian National Bank shall adopt subordinate legislation to prescribe the documentation to be enclosed with the application for exemption from the scope of prudential consolidation and the content of the reports and notifications and the time limits and the method of reporting information required to monitor on an ongoing basis the compliance with the conditions referred to in this Article.

Supervisory measures vis-à-vis financial and mixed financial holding companies

Article 89

(1) Where the Croatian National Bank establishes, in the procedure relating to the application referred to in Article 87 of this Act that the conditions referred to in Article 87, paragraph (11) of this Article are not met and refuses to grant the approval and where the Croatian National Bank, in the procedure referred to in Article 87, paragraph (13) of this Act establishes that the financial holding company or mixed financial holding company has ceased to meet the conditions referred to in Article 87, paragraph (11) of this Act, it shall impose supervisory measures on the financial holding company or mixed financial holding company to ensure or restore, as the case may be, continuity and integrity of consolidated supervision and ensure compliance with the requirements laid down in this Act and in Regulation (EU) No 575/2013 on a consolidated basis. In doing so, the Croatian National Bank shall take into account the effects of these supervisory measures on the financial conglomerate.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank may, in reference to a financial holding company or a mixed financial holding company:

1) suspend the exercise of voting rights attached to the shares of the subsidiary credit institution held by the financial holding company or mixed financial holding company;

2) order the financial holding company or mixed financial holding company to transfer participations in subsidiary credit institutions to its shareholders or holders of holdings;

3) designate on a temporary basis another financial holding company, a mixed financial holding company or a credit institution who are members of the group as responsible for meeting on a consolidated basis the requirements prescribed in this Act or Regulation (EU) No 575/2013;

4) impose a restriction or prohibition of distributions or interest payments to shareholders;

5) order to divest from or reduce holdings in institutions or other financial sector entities;

6) order the submission of a plan on return, without delay, to compliance with the requirements referred to in this Act or Regulation (EU) No 575/2013; or

7) impose any other measure it deems appropriate and proportionate in order for the financial holding company or mixed financial holding company to remove any weaknesses or deficiencies in the operation that do not constitute a breach of regulations or restore compliance of its operations with the provisions of this Act,

Regulation (EU) No 575/1013 and other regulations governing the operation of financial holding companies or mixed financial holding companies.

(3) In the case referred to in paragraph (2), item (1) of this Article, Article 39 shall apply *mutatis mutandis* to voting rights suspension.

(4) If the Croatian National Bank refuses an application for exemption from approval referred to in Article 88 of this Act or if it establishes during ongoing supervision that the conditions for exemptions are no longer met, a financial holding company or a mixed financial holding company shall, within three months of receipt of the decision submit an application for approval referred to in Article 87 of this Act and may also impose a supervisory measure referred to in paragraph (2) of this Article.

(5) Where the Croatian National Bank as the consolidating supervisor refuses the application for approval or exemption from approval of a financial holding company or a mixed financial holding company, it shall notify the applicant of that decision and the reasons for the refusal within four months of receipt of a complete application.

(6) As the consolidated supervisory authority, the Croatian National Bank shall adopt a decision on issuing or refusing an application for approval or exemption from approval of a financial holding company or a mixed financial holding company within six months of receipt of the application.

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

Article 90

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

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the competent authority of the Member State where the financial holding company or mixed financial holding company is established to reach a joint decision on the compliance with the conditions referred to in Article 87, paragraph (11) and Article 88, paragraphs (2) or (5) of this Act and the imposition of the measures referred to in 89 of this Act.

(3) As the consolidating supervisor, the Croatian National Bank shall assess the compliance with the conditions referred to in Article 87, paragraph (11) and Article 88, paragraphs (2) or (5) of this Act and the imposition of the measures referred to in Article 89 of this Act and shall notify the competent authority of the Member State where the financial holding company or mixed financial holding company is established of the results of that assessment.

(4) The joint decision on the compliance with the conditions referred to in Article 87, paragraph (11) and Article 88, paragraphs (2) or (5) of this Act or the imposition of the measures referred to in Article (89) of this Act shall be adopted within two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article.

(5) When a joint decision is taken, it is implemented or directly applicable if this is permitted under the law of the Member State where a financial holding company or a mixed financial holding company is established.

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

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

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

(9) Where the European Banking Authority takes its decision within one month of receipt of the application for mediation, the joint decision shall be adopted in conformity with that decision and where the European Banking Authority does not take a decision within one month of receipt of the application for mediation, the Croatian National Bank shall take a decision on its own.

(10) The Croatian National Bank may not refer the matter to the European Banking Authority and request its mediation referred to in paragraph (8) of this Article after the expiry of a period of two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article or after a joint decision has been reached.

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

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

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

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

Article 91

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

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the consolidating supervisor to reach a joint decision on the compliance with the conditions referred to in Article 87, paragraph (11) and Article 88, paragraphs (2) or (5) of this Act and the imposition of the measures referred to in Article 89 of this Act.

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

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

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

(6) Where the European Banking Authority takes its decision within one month of receipt of the application for mediation, the joint decision shall be adopted in conformity with that decision.

(7) Where the decision of the European Banking Authority is not reached within one month of receipt of the application for mediation, the Croatian National Bank shall reach its own decision.

(8) The Croatian National Bank may not refer the matter to the European Banking Authority and request its assistance as referred to in paragraph (5) of this Article after the expiry of a period of two months of receipt of the assessment prepared by the consolidating supervisor or after a joint decision has been reached.

Revocation of approval of financial holding companies and mixed financial holding companies

Article 92

The Croatian National Bank shall withdraw the approval referred to in Article 87 of this Act where an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC or an EU parent mixed financial holding company having its head office in the RC fail to take any action required to ensure compliance with the requirements set out in Part Three, Four, Six and Seven of Regulation (EU) No 575/2013 or the additional own funds requirements imposed by a decision of the Croatian National Bank under Article 105, paragraph (1), item (1) of this Act or the specific liquidity requirements under Article 105, paragraph (1), item (16) of this Act.

Intermediate EU parent undertaking

Article 93

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

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank in cooperation with other authorities competent for the oversight and supervision of a member of a third-country group may

decide that the third-country group may have two intermediate EU parent undertakings where they together determine that the establishment of a single intermediate EU parent undertaking would:

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

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

(3) A credit institution which has been granted the authorisation referred to in Article 14 of this Act and which is a member of a third-country group together with another institution established in the EU shall:

1) have an intermediate EU parent undertaking; or

2) be designated as the intermediary parent undertaking.

(4) By way of derogation from paragraph (3) of this Article, a credit institution which has been granted the authorisation referred to in Article 14 of this Act and which is part of a third-country group shall not be required to have an intermediate EU parent undertaking or, in accordance with paragraph (3) of this Article, be designated as the intermediate EU parent undertaking where:

1) the total amount of assets in the European Union of all members of the third-country group is less than EUR 40 billion; or

2) the credit institution that has been granted the authorisation referred to in Article 14 of this Act is the only institution in that group operating in the European Union.

(5) An intermediate EU parent undertaking may be a credit institution that has been granted the authorisation referred to in Article 14 of this Act or a financial holding company or a mixed financial holding company that has been granted approval in accordance with Article 87 of this Act.

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

(7) The total value of the assets referred to in paragraph (4) of this Article of an EU third-country group shall be the sum of the following:

1) the total value of assets of each institution in the EU of the third-country-group, as resulting from its consolidated balance sheet or as resulting from their individual balance sheets, where an institution's balance sheet is not consolidated; and

2) the total value of assets of each branch of the third-country group authorised to establish a branch in the EU in accordance with this Act, the law governing the capital market or Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) 648/2012 (Text with EEA relevance) (OJ L 173, 12. 6. 2014) (hereinafter referred to as 'Regulation (EU) No 600/2014').

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

1) the names and the total value of assets of each institution which is part of a third-country group operating within the territory of the Republic of Croatia;

2) the names and the total value of assets of each branch authorised to establish a third-country branch in accordance with this Act, the law governing the capital market or Regulation (EU) No 600/2014 and the types of services authorised;

3) the name and the type of any intermediate EU parent undertaking having its head office in the Republic of Croatia and the name of the third-country group of which it is part.

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

TITLE XI
SUPERVISION OF CREDIT INSTITUTIONS

CHAPTER I
GENERAL PROVISIONS

Objectives and principles of supervision

Article 94

(1) The main objectives of the supervision exercised by the Croatian National Bank are to maintain confidence in the Croatian banking system, and promote and safeguard its safety and stability.

(2) The Croatian National Bank shall be competent to exercise supervision of credit institutions authorised in accordance with this Act, including the activities they carry out based on the freedom to provide services in accordance with Title III of this Act, without prejudice to those provisions of national regulations of the Member States transposing the provisions of Directive 2013/36/EU which give responsibility to the competent authorities of the host Member State.

(3) The provisions of paragraph (2) of this Article shall not prevent supervision on a consolidated basis in accordance with this Act.

Supervisory powers of the Croatian National Bank

Article 95

(1) In the exercise of its supervisory powers referred to in this Chapter, the Croatian National Bank shall be authorised to take actions needed to exercise supervision in accordance with the provisions of this Act in relation to:

1) a credit institution with a head office in the Republic of Croatia, including its branches outside the Republic of Croatia;

2) a financial holding company referred to in Title X of this Act; and

3) a mixed financial holding company referred to in Title X of this Act.

(2) The Croatian National Bank shall exercise the powers under this Article:

1) on its own;

2) in collaboration with other competent authorities;

3) by transferring the execution of tasks to other authorities and persons under the responsibility of the Croatian National Bank; and

4) by reporting and submitting requests to judicial and other competent authorities.

(3) In accordance with paragraph (2), item (3) of this Article, the Governor of the Croatian National Bank may authorise a certified auditor, an audit firm or other professionally qualified persons to execute individual tasks related to carrying out on-site inspection of the entity referred to in paragraph (1) of this Article.

(4) The persons referred to in paragraph (3) of this Article shall, when executing the tasks related to on-site inspection, have the same powers as the authorised persons of the Croatian National Bank.

(5) The Croatian National Bank will not resolve individual complaints by legal or natural persons who are not consumers, which arise from their business relationships with credit institutions.

Content of supervision

Article 96

(1) The Croatian National Bank shall be competent to exercise supervision of credit institutions by:

1) carrying out a supervisory review and evaluation process in relation to credit institutions referred to in Article 98 of this Act;

2) verifying the application of the provisions of this Act and regulations adopted under this Act, except for the provisions of Title XXIII of this Act, and by verifying the application of the provisions of Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013;

3) imposing measures and exercising the powers in accordance with the provisions of this Act and Regulation (EU) 575/2013;

4) granting authorisations, approvals and opinions and through an ongoing review of permissions for the use of internal models and by assessing the credit institutions in accordance with this Act, Regulation (EU) No 575/2013 and other regulations of the European Union governing the operation of credit institutions, which fall within the competence of the Croatian National Bank as the competent authority;

5) exercising the powers relating to crisis management referred to in Title XIX of this Act.

(2) The Croatian National Bank shall apply the supervisory review and evaluation process, impose supervisory measures and carry out other activities referred to in paragraph (1), items (2) to (5) of this Article, in accordance with the level of application of the requirements referred to in Regulation (EU) No 575/2013, set out in Part One, Title II of Regulation (EU) No 575/2013.

Powers of the Croatian National Bank in exercising supervision

Article 97

(1) The Croatian National Bank shall be competent, for the purpose of exercising the supervision referred to in Article 96 of this Act:

1) to collect information; and

2) to carry out the necessary activities.

(2) The power referred to in paragraph (1), item (1) of this Article shall include the power of the Croatian National Bank to require submission of all the information it needs to exercise the supervision referred to in Article 96 of this Act, including the information submitted at recuring intervals and in specified formats for supervisory and related statistical purposes, from the following persons:

1) credit institutions established in the Republic of Croatia;

2) financial holding companies established in the Republic of Croatia;

3) mixed financial holding companies established in the Republic of Croatia;

4) mixed-activity holding companies established in the Republic of Croatia;

5) persons belonging to the entities referred to in items (1) to (4) of this paragraph;

6) financial holding companies and mixed financial holding companies referred to in Title X of this Act; and

7) service providers to entities referred to in items (1) to (4) and item (6) of this paragraph of outsourced operational functions or activities, including ICT third-party service providers referred to in Chapter V of Regulation (EU) 2022/2554.

(3) The power referred to in paragraph (1), item (2) of this Article, when it is necessary to exercise the supervision referred to in Article 96 of this Act, shall include carrying out of all the necessary activities in relation to any of the persons referred to in paragraph (2) of this Article established or located in the Republic of Croatia, including the following powers:

1) to require the submission of documents;

2) to examine business books and records of any person referred to in paragraph (2) of this Article, including the taking of copies and extracts from such books and records;

3) to require written and oral explanations from any person referred to in paragraph (2) of this Article, including their management body, representatives and employees;

4) to hold interviews with any person who agrees to the interview for the purpose of collecting information required to exercise supervision;

5) in compliance with other conditions laid down in regulations of the European Union, to carry out on-site inspections on the business premises of the head office of the legal person referred to in paragraph (2) of this Article and in other locations where that legal persons operates, subject to the prior notification of the relevant competent authority of all other undertakings included in the supervision on a consolidated basis, where the Croatian National Bank is the consolidating supervisor.

(4) Except in cases of supervision of entities referred to in Article 95, paragraph (1) of this Act, if the national law of the Member State where on-site inspection referred to in paragraph (3), item (5) of this Article is conducted provides that an authorisation from a judicial authority is required, the Croatian National Bank shall be competent to obtain the appropriate authorisation from that judicial authority.

(5) A holder of a qualifying holding and a person having close links with the credit institution shall, at the request of the Croatian National Bank, and for the purpose of achieving the objectives of supervision of the credit institution, deliver to the Croatian National Bank appropriate reports and information.

(6) The persons referred to in paragraphs (2) or (5) of this Article shall act in accordance with the requirement of the Croatian National Bank referred to in paragraphs (2), (3) and (5) of this Article, and this shall not constitute a breach of the obligation to protect the confidentiality of information arising from law or an agreement.

(7) In terms of paragraph (3), item (3) of this Article, the Croatian National Bank may require from the members of the management body or other employees of the entities referred to in Article 95, paragraph (1) of this Act, reports, comments, information and documentation, drawing up of written reports or giving statements on issues relevant for the exercise of supervision and oversight or for executing other tasks falling within the competence of the Croatian National Bank.

(8) The persons referred to in paragraph (7) of this Article shall submit the required reports, comments, information, documentation and statements within the deadline set by the Croatian National Bank, which may not be shorter than three days.

(9) When conducting unannounced on-site inspections of business premises, land and transport vehicles, if a person obstructs such inspection, the Croatian National Bank shall request from the High Administrative Court of the Republic of Croatia the order for conducting an unannounced inspection of business premises, land and transport vehicles, documents, deeds and objects found at these premises, as well as for sealing and temporarily seizing objects, especially where there is the danger of hiding or destroying evidence that is necessary to exercise the supervision referred to in Article 96 of this Act and where it can reasonably be assumed that such evidence will be found on a certain premises or with a certain person. Within the meaning of Regulation (EU) No 1024/2013, the Croatian National Bank shall also submit the request for such an order to the High Administrative Court of the Republic of Croatia when the order is requested by the European Central Bank.

(10) By way of derogation from paragraphs (1) to (9) of this Article, where resolution proceedings are opened against a credit institution, the Croatian National Bank shall not exercise regular supervision of the institution in question during the resolution proceedings or until the completion of the resolution proceedings.

(11) When the Croatian National Bank carries out on-site inspection referred to in paragraph (3), item (5) of this Article of persons other than credit institutions, the provisions of this Act and the subordinate legislation referred to in paragraph (13) of this Article shall apply *mutatis mutandis* to all other persons referred to in paragraph (2) of this Article that are not credit institutions.

(12) After on-site inspection, the Croatian National Bank shall draw up a report on inspection findings that is submitted to the credit institution.

(13) The Croatian National Bank shall adopt subordinate legislation to regulate the conditions and methods of exercising supervision, imposing measures, as well as the obligations of the credit institution's bodies and other persons referred to in this Article in the course of and following supervision exercised by the Croatian National Bank.

Supervisory review and evaluation process in respect of credit institutions

Article 98

(1) Taking into account the technical criteria referred to in Article 99 of this Act in the framework of the exercise of supervision, the Croatian National Bank shall conduct a supervisory review and evaluation process in respect of credit institutions (hereinafter referred to as 'review and evaluation process') evaluating governance arrangements, strategies, policies, processes and procedures adopted by a credit institution for the purpose of compliance of its operations with the provisions of this Act, with the exception of the provisions of Title XXIII of this Act, subordinate legislation adopted pursuant to this Act, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 and shall evaluate:

1) the risks to which the credit institution is or might be exposed;

2) the risks revealed by stress testing taking into account the nature, scale and complexity of the credit institution's activities;

3) the risks revealed by digital operational resilience testing in accordance with Chapter IV of Regulation (EU) 2022/2554.

(2) The scope of the review and evaluation referred to in paragraph (1) of this Article shall comprise all the requirements under this Act, with the exception of the provisions of Title XXIII of this Act, and shall comprise all the requirements under the subordinate legislation adopted pursuant to this Act, Regulation (EU) No. 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/ 2013.

(3) On the basis of the review and evaluation process referred to in paragraph (1) of this Article, the Croatian National Bank shall determine whether the governance arrangements, strategies, policies, processes and procedures implemented by the credit institution and the own funds and liquidity held by it ensure a sound management and coverage of its risks.

(4) In establishing the frequency and intensity of the review and evaluation process referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the size and systemic importance of the credit institution, the nature, scale and complexity of the activities of the credit institution concerned and the principle of proportionality, in accordance with the criteria disclosed under Article 172, paragraph (1), item (3) of this Act.

(5) The Croatian National Bank shall carry out the review and evaluation process referred to in paragraph (1) of this Article at least annually for each credit institution covered by the supervisory examination programme referred to in Article 100, paragraph (3) of this Act.

(6) For the purpose of implementing the principle of proportionality referred to in paragraph (4) of this Article, the Croatian National Bank may also take into account if all of the following criteria have been met:

1) the credit institution is not a G-SII, a G-SII outside the EU or a G-SII entity;

2) the credit institution is not identified as an O-SII credit institution in accordance with Articles 246 and 247 of this Act;

3) the credit institution is part of a group where the parent credit institution and the vast majority of the subsidiary institutions are related to each other in a manner that requires preparation of annual consolidated financial statements in accordance with national laws of the Member States transposing Article 22 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);

4) subsidiary institutions referred to in item (3) of this paragraph meet all of the following conditions:

a) they qualify, or the vast majority of them qualify, as mutuals, cooperative societies or savings institutions in accordance with Article 27, paragraph (1), item (a) of Regulation (EU) No 575/2013, and the applicable national law includes a cap or other restriction on the maximum level of distributions; and

b) on an individual or sub-consolidated basis, their total assets do not exceed EUR 30 billion.

(7) For the purpose of implementing a review and evaluation process, the Croatian National Bank shall, where necessary, but at least annually, conduct stress testing.

(8) A credit institution and third parties acting in a consulting capacity to credit institutions in the context of stress testing exercises referred to in paragraph (7) of this Article shall refrain from activities that can impair a stress test conducted by the Croatian National Bank in accordance with paragraph (7) of this Article, such as benchmarking, exchange of information among themselves, agreements on common behaviour, or optimisation of their submissions for stress tests.

(9) The Croatian National Bank shall have all information gathering and investigatory powers referred to in Article 97 of this Act that are necessary to detect the circumstances referred to in paragraph (8) of this Article.

(10) The Croatian National Bank may tailor the methodologies for the application of the review and evaluation process for credit institutions with a similar risk profile, such as similar business models or geographical location of exposures to credit institutions which are or might be exposed to similar risks or pose similar risks to the financial system, where the Croatian National Bank may, when conducting a review and evaluation process of such credit institutions, use tailored methodologies that may include risk-oriented benchmarks and quantitative indicators, and allow for due consideration of the specific risks that each credit institution may be exposed to.

(11) The tailoring of methodologies for the review and evaluation process referred to in paragraph (10) of this Article shall not prevent the imposition of supervisory measures referred to in Article 105 of this Act on each individual credit institution covered by the methodology, which correspond to the risks to which the credit institution is exposed or might be exposed.

(12) If, in the exercise of a review and evaluation process, and in particular in the assessment of governance arrangements, the business model, or the activities of a credit institution, the Croatian National Bank determines the circumstances that indicate the existence of reasonable grounds to suspect that, in connection with that credit institution, money laundering or terrorist financing is being or has been committed or attempted, or there is increased risk thereof, the Croatian National Bank shall notify the European Banking Authority, the Ministry of Finance – Anti-Money Laundering Office and the competent supervisory authority responsible for the supervision of prevention of money laundering and terrorist financing, in accordance with the regulation transposing into national legislation Directive (EU) 2015/849, and shall notify their common assessment to the European Banking Authority.

(13) In the case referred to in paragraph (12) of this Article, the Croatian National Bank shall, if it deems it necessary, impose appropriate supervisory measures on a credit institution.

(14) The Croatian National Bank shall notify the European Banking Authority the following:

1) the methodology for the review and evaluation process referred to in this Article;

2) the methodology used as a basis for the decisions referred to in this Article and Articles 99, 101, 103, 105 and 110 of this Act;

3) the results of the review and evaluation process where it is established that a credit institution may pose systemic risk in accordance with Article 23 of Regulation (EU) No 1093/ 2010.

Technical criteria for the supervisory review and evaluation

Article 99

(1) When conducting a review and evaluation process referred to in Article 98 of this Act, the Croatian National Bank shall, in addition to credit, market and operational risks and their management, include at least:

1) the results of the stress test carried out in accordance with Article 177 of Regulation (EU) No 575/2013 by credit institutions applying an internal ratings based approach;

2) the exposure to and management of concentration risk by credit institutions, including their compliance with the requirements set out in Part Four of Regulation (EU) No 575/2013 and the regulation adopted under Article 182, paragraph (9), item (1) of this Act;

3) the robustness, suitability and manner of application of the policies and procedures implemented by credit institutions for the management of the residual risk associated with the use of recognised credit risk mitigation techniques;

4) the extent to which the own funds held by a credit institution in respect of assets which it has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved;

5) the exposure to, measurement and management of liquidity risk by credit institutions, including the development of alternative scenario analyses, the management of risk mitigants (in particular the level, composition and quality of liquidity buffers) and effective contingency plans;

6) the impact of diversification effects and how such effects are factored in the risk measurement system;

7) the results of stress tests carried out by credit institutions using an internal model to calculate market risk own funds requirements under Part Three, Title IV, Chapter 5 of Regulation (EU) No 575/2013;

8) the geographical location of credit institutions' exposures;

9) the business model of the credit institution; and

10) the extent to which the credit institutions have put in place appropriate policies and operational actions related to quantifiable targets and milestones set out in the plans to be prepared in accordance with Article 183, paragraph (1), item (4) of this Act.

(2) The Croatian National Bank shall, in addition to what has been stated in paragraph (1), item (2) of this Article, assess and monitor the development of credit institutions' practices concerning management of the concentration risk arising from exposure to central counterparties, including the assessment of the plans made in accordance with Article 183, paragraph (1), item (5) of this Act as well as of the progress made by the credit institution in tailoring its business models in accordance with the requirements laid down in Article 7a of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (Text with EEA relevance) (OJ L 20, 27. 7. 2012) (hereinafter referred to as 'Regulation (EU) No 648/2012').

(3) For the purposes of the review and evaluation process referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall regularly carry out a comprehensive assessment of the overall liquidity risk management by credit institutions and promote the development of sound internal methodologies, having regard to the role played by credit institutions in the financial markets.

(4) The Croatian National Bank shall monitor developments in relation to liquidity risk profiles, for example product design and volumes, risk management, funding policies and funding concentrations and when it establishes that such developments might lead to instability of an individual credit institution or a financial system, the Croatian National Bank shall take appropriate measures and notify the European Banking Authority thereof.

(5) For the purpose of implementing paragraph (3) of this Article, the Croatian National Bank shall duly consider the potential impact of its decisions on the stability of the financial system in all other Member States concerned.

(6) If, in the course of the review and evaluation process, the Croatian National Bank finds that a credit institution has provided implicit support to a securitisation on more than one occasion, the Croatian National Bank shall impose supervisory measures on that credit institution reflective of the increased expectation that it will provide future support to its securitisation thus failing to achieve a significant transfer of risk.

(7) For the purposes of the determination to be made under Article 98, paragraph (3) of this Act, the Croatian National Bank shall consider whether the valuation adjustments taken for positions or portfolios in the trading book, as set out in Article 105 of Regulation (EU) No 575/2013, enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions.

(8) In addition to the requirements referred to in paragraph (1) of this Article, the Croatian National Bank shall include the following in the review and evaluation process:

1) the exposure of credit institutions to the interest rate risk arising from non-trading book activities, and shall impose supervisory measures in the following cases:

a) where a credit institution's economic value of equity set out in the manner as referred to in Article 182, paragraph (6) of this Act declines by more than 15% of its tier 1 capital as a result of a sudden and unexpected change in interest rates as set out in any of the six supervisory shock scenarios applied to interest rates; and

b) where an institution's net interest income set out in the manner as referred to in Article 182, paragraph (6) of this Act experiences a large decline as a result of a sudden and unexpected change in interest rates as set out in any of the two supervisory shock scenarios applied to interest rates;

2) the exposure of credit institutions to the risk of excessive leverage as reflected by indicators of excessive leverage, including the leverage ratio determined in accordance with Article 429 of Regulation (EU) No 575/2013;

3) governance arrangements of credit institutions, their corporate culture and values, and the ability of the management board and the supervisory board to perform their duties.

(9) In determining the adequacy of the leverage ratio of a credit institution referred to in paragraph (8), item (2) of this Article and of the appropriateness of governance arrangements, strategies, policies processes and procedures implemented by a credit institution to manage the risk of excessive leverage, the Croatian National Bank shall take into account the business model of that credit institution.

(10) For the purpose of conducting the review and evaluation process referred to in paragraph (8), item (3) of this Article, a credit institution shall provide the Croatian National Bank access to agendas and supporting documents for meetings of the management and supervisory board and supervisory board committees and provide access to the results of the internal or external evaluation of performance of the management and supervisory board members.

(11) By way of derogation from paragraph (8), item (1), sub-item (b) of this Article, the Croatian National Bank shall not impose supervisory measures where, based on the review and evaluation, it establishes that:

1) the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and

2) the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(12) For the purposes of paragraphs (8) and (11) of this Article, in addition to the supervisory measures referred to in Article 105 of this Act, the Croatian National Bank may impose on a credit institution an obligation to use specific modelling and parametric assumptions, which are additional relative to the assumptions to be reflected by the credit institution in its calculation of the economic value of equity in the context of the methodologies referred to in Article 182, paragraphs (6) and (8) of this Act.

(13) In the process of the review and evaluation of a credit institution’s management of ESG risks, the Croatian National Bank shall:

1) assess and monitor the development of credit institutions’ practices concerning their ESG strategies and risk management, including governance arrangements and the extent to which the credit institutions have put in place appropriate policies and operational actions related to quantifiable targets and milestones set out in the plans referred to in Article 183, paragraph (1), item (4) of this Act;

2) assess the robustness of the plans referred to in Article 183, paragraph (1), item (4) of this Act that include quantifiable targets and processes to monitor and address the ESG risks arising in the short, medium and long term, as well as the progress made towards addressing the ESG risks arising from the process of adjustment towards climate neutrality by 2050, in accordance with Regulation (EU) 2021/1119 as well as other relevant European Union regulatory objectives in relation to ESG factors;

3) assess a credit institution’s exposure to ESG risks, which is assessed based on plans referred to in Article 183, paragraph (1), item (4) of this Act.

(14) In the assessment referred to in paragraph (13) of this Article, the Croatian National Bank shall hall take into account a credit institution’s business models, sustainability-related product offerings, their transition finance policies, related loan origination policies, and ESG-related targets and limits and shall, where necessary, cooperate in that assessment with authorities or public bodies in charge of climate change and environmental supervision.

(15) When conducting the review and evaluation process, the Croatian National Bank shall conduct an assessment of a credit institution’s governance and risk management processes for crypto-asset exposures and the provision of crypto-asset services, including by considering the credit institution’s policies and procedures for identifying risks, as well as the adequacy of the results of previous assessments of the credit institution of exposure of the credit institution to counterparty and market risk, and the adequacy of the policies and procedures for managing these risks.

Supervisory examination programme

Article 100

(1) In accordance with the scope of the review and evaluation process referred to in Article 98 of this Act, the Croatian National Bank shall, at least annually, adopt a supervisory examination programme for credit institutions.

(2) The supervisory examination programme referred to in paragraph (1) of this Article shall contain:

1) a description of the manner in which the Croatian National Bank will exercise supervision and the manner in which it will allocate the resources at its disposal;

2) a list of credit institutions in which the Croatian National Bank intends to carry out enhanced supervision and the manner in which this enhanced supervision will be carried out; and

3) a plan of on-site inspections of credit institutions, including their branches and subsidiaries established in other Member States, in accordance with Articles 124, 138 and 147 of this Act.

(3) The supervisory examination programme of the Croatian National Bank shall include:

1) credit institutions the results of stress testing of which, whether such testing is conducted by the credit institution or the Croatian National Bank or the results of the review and evaluation process, point to significant risks that might affect their financial stability or point to a breach of the provisions of this Act or Regulation (EU) No 575/2013; and

2) any other credit institution for which the Croatian National Bank deems it to be necessary.

(4) Where it deems it necessary on the basis of the review and evaluation process referred to in Article 98 of this Act, the Croatian National Bank shall carry out enhanced supervision of a credit institution, among other things, by:

1) increasing the number and frequency of on-site inspections of that credit institution;

2) appointing a trustee in accordance with the provisions of this Act;

3) requiring additional or more frequent reporting to the Croatian National Bank by that credit institution;

4) carrying out additional or more frequent review of the operational, strategic or business plans of that credit institution; or

5) exercising supervision of a particular part of the operations and monitoring risks that are likely to materialise.

(5) The Croatian National Bank may, in accordance with the provisions of this Act, carry out on-site inspections of branches of credit institutions from other Member States which provide services within the territory of the Republic of Croatia through branches, regardless of the supervisory examination programme of the competent authority of the home Member State.

Ongoing review of the permission to use internal approaches

Article 101

(1) The Croatian National Bank shall review on a regular basis, and at least every three years, credit institutions' compliance with the requirements regarding prior permission to use internal approaches for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013. It shall have particular regard to changes in a credit institution's business and to the implementation of those approaches to new products.

(2) Where in the procedure referred to in paragraph (1) of this Article the Croatian National Bank identifies material deficiencies in risk capture by a credit institution's internal approach, it shall impose appropriate supervisory measures on a credit institution to eliminate such deficiencies or to mitigate their consequences, including by imposing higher multiplication factors, or imposing capital add-ons or taking other appropriate and effective measures.

(3) The Croatian National Bank shall review and assess whether the credit institution uses well developed and up-to-date techniques and practices for internal approaches.

(4) Where based on the procedure referred to in paragraph (1) of this Article, the Croatian National Bank establishes that for a trading desk using an internal market risk model, results of back-testing or the profit and loss attribution test indicate that the model is no longer sufficiently accurate, the Croatian National Bank shall review the conditions for the permission for using the internal model or impose appropriate measures to ensure that the model is improved promptly.

(5) If a credit institution has received permission to apply an internal approach for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013 but the credit institution does not meet the requirements for applying that approach any more, the Croatian National Bank shall require the credit institution to either demonstrate that the effect of non-compliance is immaterial where applicable in

accordance with Regulation (EU) No 575/2013 or present a plan for the timely restoration of compliance with the requirements and set a deadline for its implementation.

(6) In the case referred to in paragraph (5) of this Article, the Croatian National Bank shall require improvements to that plan if it is unlikely to result in full compliance or if the deadline is inappropriate.

(7) If, in the case referred to in paragraph (5) of this Article, the credit institution is unlikely to be able to restore compliance within an appropriate deadline and, where applicable, has not satisfactorily demonstrated that the effect of non-compliance is immaterial, the Croatian National Bank shall withdraw a decision on the permission to use the internal approach or shall change it so as to limit the permission to compliant areas or those where compliance can be achieved within an appropriate deadline.

(8) In the course of the review referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the analysis and benchmarks provided by the European Banking Authority.

CHAPTER II
SUPERVISORY MEASURES

Adoption of supervisory measures

Article 102

(1) The Croatian National Bank shall adopt a decision at an early stage to impose supervisory measures on a credit institution if, within its supervisory powers, it finds:

1) that by its actions or omission of particular actions, the credit institution acted contrary to this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions;

2) that on the basis of information available to the Croatian National Bank it may be reasonably expected that the credit institution will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions within the following 12 months;

3) the existence of circumstances referred to in Article 107, paragraph (1) of this Act;

4) weaknesses or deficiencies in the credit institution's operation which do not constitute a breach of regulations; or

5) that it is necessary that the credit institution takes actions and procedures to improve its operation.

(2) The Croatian National Bank shall impose supervisory measures:

1) by issuing a letter of recommendations; or

2) by issuing a decision in an administrative procedure.

(3) The Croatian National Bank may initiate an administrative procedure to adopt a decision imposing supervisory measures after determining that the conditions are met for the imposition of such measures.

(4) If a credit institution fails to comply with the measures referred to in the letter of recommendations, the Croatian National Bank may impose supervisory measures of the same or similar character by means of a decision.

(5) The Croatian National Bank shall specify the time limit for the compliance with the supervisory measures in the letter of recommendations or the decision.

(6) If the supervisory measures have been imposed by a decision, the credit institution shall carry out the supervisory measures within the time limits specified in the Croatian National Bank decision.

(7) A credit institution may, no later than 30 working days before the expiry of the time limit referred to in paragraph (5) of this Article, apply for an extension of that time limit by a reasoned request.

(8) By way of derogation from paragraph (7) of this Article, if the time limit referred to in paragraph (5) of this Article is 30 working days or shorter, the credit institution may not apply for an extension of that time limit.

(9) The Croatian National Bank shall, at the latest until expiry of the time limit determined in the letter of recommendations or the decision referred to in paragraph (5) of this Article decide on the application referred to in paragraph (7) of this Article.

Decisions in the course of on-site inspections

Article 103

By way of derogation from Article 102 of this Act, the Croatian National Bank may adopt a decision in the course of an on-site inspection and order the credit institution to take supervisory measures, which the credit institution shall implement without delay where:

1) an authorised person finds in the course of that inspection that the credit institution has not organised its operation or does not keep business books, business documentation and other business records in such a manner

that it is at all times possible to verify whether the credit institution carries out its activities in accordance with risk management regulations and rules;

2) the credit institution carries out its activities in a manner which may worsen or jeopardise its liquidity or solvency;

3) the credit institution carries out its activities in a manner which makes it reasonable to expect that by the time the on-site inspection is over it will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions; or

4) it is impossible to continue that on-site inspection in the credit institution.

Reporting to the Croatian National Bank on the implementation of supervisory measures

Article 104

(1) In its letter of recommendations or the decision imposing supervisory measures, the Croatian National Bank may also order the credit institution to report to the Croatian National Bank within a specified time limit on the implementation of the measures imposed.

(2) The credit institution shall report to the Croatian National Bank on the implementation of the measures enclosing the relevant information, documents and other evidence within the time limit referred to in paragraph (1) of this Article.

Types of supervisory measures

Article 105

(1) The Croatian National Bank may, in the framework of the review and evaluation process referred to in Articles 98 and 99 of this Act, ongoing review of the permission to use internal approaches referred to in Article 101 of this Act and in the cases referred to in Article 102 of this Act, in addition to other measures laid down in this Act, impose supervisory measures on a credit institution and:

1) order a credit institution to have additional own funds, in excess of that required under Regulation (EU) No 575/2013, under the conditions referred to in Article 107 of this Act;

2) order the reinforcement of the governance arrangements, strategies, policies, processes, and procedures implemented in accordance with Articles 180 and 181 of this Act, including:

a) improvements to the strategies and procedures in place to assess internal capital adequacy;

b) improvements to the accounting and information systems;

c) improvements to the internal controls system;

3) order a credit institution to present a plan to restore compliance with prudential requirements in accordance with this Act and Regulation (EU) No 575/2013 and set a deadline for its implementation, including improvements to that plan regarding the scope and the deadline;

4) order the application of a specific provisioning policy or treatment of assets in terms of own funds requirements;

5) order a correct evaluation of on- and off-balance sheet items;

6) prohibit or limit the business, including with regard to acceptance of deposits, the operations or network of credit institutions or request the divestment of activities that pose excessive risks to the soundness of a credit institution, including to:

a) prohibit or limit the granting of credit;

b) prohibit or limit the provision of recognised and ancillary financial services;

c) prohibit or limit the acquisition of holdings in investment funds;

d) limit the increase in a credit institution's assets and risk-bearing off-balance sheet items;

e) order a credit institution to sell shares or holdings or to wind-up a subsidiary of the credit institution;

f) prohibit or limit transactions with individual shareholders, members of the management or supervisory board, procurators, undertakings having close links with the credit institution, and persons connected with the credit institution;

g) prohibit or limit the introduction of new products;

7) order the implementation of measures imposing specific operating conditions on a credit institution, which may include minimum or maximum interest rates, maturities of claims and liabilities and other conditions;

8) order the sale of a credit institution's tangible and other assets;

9) order a change in the areas of operation or the structure of services provided by the credit institution;

10) order the reduction of the risk inherent in the activities, products and systems of a credit institution, including the activities related to outsourcing;

11) order a credit institution to limit variable remuneration as a percentage of net revenues where it is inconsistent with the maintenance of a sound capital base;

12) order a credit institution to use net profits to strengthen own funds;

13) impose a temporary prohibition or restriction on distributing dividends or any other form of profit, and the calculation and payment of distributions to holders of additional tier 1 instruments where the prohibition or restriction does not constitute an event of default of the credit institution;

14) order the reduction of operating expenses, including restrictions on salaries and other remuneration of members of the management and supervisory board and employees of a credit institution;

15) impose more frequent or additional reporting to the Croatian National Bank, including reporting on capital and liquidity positions and leverage, under the conditions referred to in Article 106 of this Act;

16) impose specific liquidity requirements, including restrictions on maturity mismatches between assets and liabilities;

17) require additional disclosures;

18) order the reduction of the risks arising in the short, medium and long term from ESG factors, including those arising from the process of adjustment and transition towards legal and regulatory objectives of the Republic of Croatia or other Member State, the European Union or third countries, through adjustments to their business strategies, internal governance arrangements and risk management for which a reinforcement of the targets, measures, and actions included in their plans referred to in Article 183, paragraph (1), item (4) of this Act could be requested;

19) require credit institutions to undertake stress testing or scenario analysis to assess the risks arising from crypto-asset exposure to crypto-assets and from the provision of crypto-asset services;

20) require credit institutions to reduce exposures to a central counterparty or to realign exposures across their clearing accounts in accordance with Article 7a of Regulation (EU) No 648/2012, if the Croatian National Bank considers that there is excessive concentration risk arising from exposure towards that central counterparty;

21) order a removal of the chairperson, a member or members of the management board from office and appointment of a new chairperson, member or members of the credit institution's management board;

22) order a credit institution to appoint appropriate committees for specific areas of operation within the competence of the supervisory board;

23) order a credit institution to improve or limit the use of a particular internal approach or model referred to in Article 185 of this Act;

24) order a credit institution to remove from office a key function holder and appoint a new one;

25) order a credit institution to implement a measure recommended by the Financial Stability Council;

26) order a reduction of or limit on the credit institution's exposures;

27) order improvements to collection procedures concerning past due exposures;

28) order that a credit institution meeting the requirements referred to in Article 4, paragraph (1), item (145), sub-items (a) to (h) of Regulation (EU) No 575/2013 cannot be considered a small and non-complex institution;

29) require credit institutions to submit to the Croatian National Bank within a set deadline a certified auditor’s report on the elimination of illegalities;

30) impose any other measure it deems appropriate and proportionate in order for the credit institution to remove any weaknesses or deficiencies in the operation that do not constitute a breach of regulations or restore compliance of its operations with the provisions of this Act, Regulation (EU) No 575/2013 and other regulations governing the operation of credit institutions;

31) require a credit institution to cease the conduct and to desist from a repetition of that conduct.

(2) Where the Croatian National Bank assesses that the internal systems implemented by a credit institution for the purpose of evaluating the risks referred to in Article 182, paragraphs (6) and (7) of this Act are not satisfactory, it shall require the credit institution to use the standardised methodology referred to in that Article.

(3) Where the Croatian National Bank assesses that the simplified standardised methodology is not adequate to capture interest rate risk arising from non-trading book activities of a specific small and non-complex credit institution, it shall require the use of the standardised methodology referred to in Article 182, paragraphs (6) and (7) of this Act.

(4) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined.

More frequent and additional reporting to the Croatian National Bank

Article 106

(1) The Croatian National Bank may impose the supervisory measure referred to in Article 105, paragraph (1), item (15) of this Act on a credit institution only in the following circumstances:

1) where the relevant measure is appropriate and proportionate with regard to the purpose for which the information is required; and

2) information requested is not duplicative.

(2) For the purposes of paragraph (1), item (2) of this Article, in the cases referred to in Articles 98 to 102 of this Act, any information request shall be deemed as duplicative where the same or substantially the same information has already been otherwise reported to the Croatian National Bank or may be produced by the Croatian National Bank.

(3) For the purposes of paragraph (2) of this Article, information shall not be deemed as already submitted to the Croatian National Bank where the Croatian National Bank has previously received it in a different format or level of granularity and that different format or granularity does not allow the Croatian National Bank to produce information of the same quality and reliability as that produced on the basis of more frequent or additional reporting.

Additional own funds requirement in excess of the minimum level

Article 107

(1) The Croatian National Bank shall impose a supervisory measure of additional own funds requirement referred to in Article 105, paragraph (1), item (1) of this Act on a credit institution where, on the basis of the supervision exercised in accordance with Articles 98 and 101 of this Act and the provisions transposing into national law of the Member States Articles 97 and 101 of Directive 2013/36/EU determine any of the following situations for an individual institution:

1) that the risks or elements of risk are not covered or not sufficiently covered by own funds requirements, as specified in paragraph (3) of this Article, by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 or in Chapter 2 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28. 12. 2017) (hereinafter referred to as 'Regulation (EU) 2017/2402');

2) that a credit institution has not established or does not consistently implement adequate governance arrangements in accordance with the provisions of Article 181 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;

3) that a credit institution has not established or does not consistently implement sound strategies and processes to assess the adequacy of internal capital in accordance with the provisions of Article 180 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;

4) that a credit institution has not established or does not consistently implement sound administrative and accounting procedures and adequate internal control mechanisms for identifying, managing, monitoring and reporting large exposures in accordance with the provisions of Article 393 of Regulation (EU) No 575/2013 and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate time frame;

5) that the supervision referred to in Article 99, paragraph (7) of this Act reveals that the valuation adjustments taken for positions or portfolios in the trading book are not sufficient to enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions;

6) that the supervision referred to in Article 101, paragraphs (5) and (7) of this Act reveals that the non-compliance with the requirements for the application of the permitted internal approach will likely lead to inadequate own funds requirements;

7) that a credit institution repeatedly fails to ensure or maintain an adequate level of additional own funds determined in accordance with Article 108, paragraph (3) of this Act;

8) that other credit institution-specific situations are established that are deemed to raise material supervisory concerns.

(2) The Croatian National Bank shall impose on the credit institution the additional own funds requirement supervisory measure referred to in Article 105, paragraph (1), item (1) of this Act only where it assesses that there is need to cover the risks to which the credit institution is exposed, regardless of whether the risks are incurred by the credit institution due to its activities or whether they reflect the impact of certain economic and market developments on the risk profile of that credit institution.

(3) Within the meaning of paragraph (1), item (1) of this Article, risks or elements of risk shall only be considered as not covered or not sufficiently covered by the own funds requirements where the amounts, types and distribution of own funds considered adequate by the Croatian National Bank, taking into account the assessment carried out by the credit institution in accordance with Article 180, paragraph (2) of this Act, are higher than the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(4) When carrying out the assessment referred to in paragraph (3) of this Article, the Croatian National Bank shall assess, taking into account the risk profile of each individual credit institution, the risks to which the credit institution is exposed, including:

1) credit institution-specific risks or elements of such risks that are explicitly excluded from or not explicitly addressed in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402;

2) credit institution-specific risks or elements of such risks likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(5) To the amount (extent) that risks or elements of risk are subject to transitional arrangements or grandfathering provisions laid down in this Act or in Regulation (EU) No 575/2013, the Croatian National Bank shall not consider risks or elements of such risks referred to in paragraph (4), subparagraph (2) of this Article likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 575/2013.

(6) The Croatian National Bank shall cover all risks or elements of risks identified as material pursuant to the assessment referred to in paragraph (3) of this Article that are not covered or not sufficiently covered by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(7) Within the meaning of paragraph (6) of this Article, the Croatian National Bank shall consider the interest rate risk arising from non-trading book activities material in the cases referred to in Article 99, paragraph (8), item (1) of this Act, unless the Croatian National Bank determines that:

1) the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and

2) the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(8) The Croatian National Bank shall impose on the credit institution additional own funds, except for the coverage of the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, as the difference between the required capital assessed pursuant to paragraph (3) of this Article and the own funds requirements set out in Parts Three and Four of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(9) The Croatian National Bank shall impose on the credit institution additional own funds to cover the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, as the difference between the required capital assessed pursuant to paragraph (3) of this Article, except for the interest rate risk referred to in paragraph (7) of this Article, and the own funds requirements set out in Parts Three and Seven of Regulation (EU) No 575/2013.

(10) The credit institution shall maintain the additional own funds requirement imposed under Article 105, paragraph (1), item (1) of this Act, not including the own funds requirement imposed to cover the risk of excessive leverage, with own funds as follows:

1) at least three quarters of the additional own funds requirement shall be met with tier 1 capital;

2) at least three quarters of the tier 1 capital referred to in item (1) of this paragraph shall be composed of common equity tier 1 capital.

(11) The credit institution shall maintain the additional own funds requirement imposed under Article 105, paragraph (1), item (1) of this Act, including the own funds requirement imposed to cover the risk of excessive leverage, with tier 1 capital.

(12) By way of derogation from paragraphs (10) and (11) of this Article, the Croatian National Bank may impose on the credit institution to maintain its additional own funds requirement with a higher portion of tier 1 capital or common equity tier 1 capital, where necessary, and having regard to the specific circumstances of the credit institution.

(13) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 105, paragraph (1), item (1) of this Act, not including the own funds requirement imposed to cover the risk of excessive leverage, are not used to meet any of the following:

1) the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;

2) the combined buffer requirement;

3) the guidance on additional own funds referred to in Article 108, paragraph (3) of this Act that is not designated to cover the risk of excessive leverage.

(14) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 105, paragraph (1), item (1) of this Act to cover the risk of excessive leverage not sufficiently covered by the requirement referred to in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, are not used to meet any of the following requirements:

1) the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;

2) the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013;

3) the guidance on additional own funds referred to in Article 108, paragraph (3) of this Act, designated to cover the risk of excessive leverage.

(15) The Croatian National Bank shall impose on the credit institution an additional own funds requirement referred to in Article 105, paragraph (1), item (1) of this Act in a decision giving a clear account of the full assessment of the elements referred to in paragraphs (1) to (14) of this Article, and in the case referred to in paragraph (1), item (7) of this Article, that justification shall include a specific statement of the reasons for which the imposition of guidance on additional own funds is no longer considered sufficient.

(16) Where a credit institution has become bound by the output floor referred to in Article 92, paragraph (3) of Regulation (EU) No 575/2013, the Croatian National Bank shall not impose increased additional own funds referred to in Article 105, paragraph (1), item (1) of this Act to address risks other than the risk of excessive leverage because the credit institution has become bound by the output floor.

(17) In the case referred to in paragraph (16) of this Article, the Croatian National Bank shall, without delay, and in any event no later than the end date of the next review and evaluation process, review the additional own funds it required from the credit institution in accordance with Article 105, paragraph (1), item (1) of this Act, and remove any parts thereof that would double-count the risks that are already fully covered by the fact that the institution is bound by the output floor.

(18) The provision of paragraph (16) of this Article shall not apply as soon as the Croatian National Bank has completed the review referred to in paragraph (17) of this Article.

(19) For the purposes of this Article and Articles 240 and 247 of this Act, a credit institution shall be considered as bound by the output floor referred to in Article 92, paragraph (3) of Regulation (EU) No 575/2013 when its total risk exposure amount exceeds its un-floored total risk exposure amount calculated in accordance with Article 92, paragraph (4) of Regulation (EU) No 575/2013.

(20) For the purposes of paragraphs (3) to (7) of this Article, as long as the credit institution is bound by the output floor, the Croatian National Bank shall not impose an additional own funds requirement that would double-count the risks already covered by the output floor obligation of the credit institution.

Guidance on additional own funds

Article 108

(1) Pursuant to the strategies and processes referred to in Article 180 of this Act, a credit institution shall assess and maintain its internal capital at an adequate level that is sufficient to cover all the risks that the credit institution is exposed to and ensure that its own funds can also cover potential losses resulting from stress scenarios, including the risks identified under the supervisory stress test referred to in Article 98, paragraph (7) of this Act.

(2) Within the framework of supervision referred to in Articles 98 and 101 of this Act, including the results of supervisory stress tests referred to in Article 98, paragraph (7) of this Act, the Croatian National Bank shall regularly analyse the level of the internal capital set by the credit institution in accordance with paragraph (1) of this Article and determine for each credit institution the appropriate overall level of own funds.

(3) The Croatian National Bank shall assess for each credit institution the need to establish guidance on additional own funds as the difference between the own funds required under Part Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402 and that imposed under Article 105, paragraph (1), item (1) of this Act and the combined buffer requirement as defined in Article 3, item (147) of this Act or pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and the appropriate overall level of own funds referred to in paragraph (2) of this Article.

(4) Where the Croatian National Bank considers that a guidance on additional own funds referred to in paragraph (3) of this Article is necessary, it shall adopt a decision determining the guidance and communicate that decision to the credit institution.

(5) In a guidance on additional own funds, the Croatian National Bank may cover risks otherwise covered by the additional own funds requirement imposed in accordance with Article 105, paragraph (1), item (1) of this Act only to the extent that the guidance covers the elements of those risks that are not already covered under that requirement.

(6) Where a credit institution has become bound by the output floor referred to in Article 92, paragraph (3) of Regulation (EU) No 575/2013, the Croatian National Bank may review the guidance on additional own funds communicated to the credit institution to ensure that the determined guidance on additional own funds referred to in paragraph (3) of this Article remains appropriate.

(7) The credit institution shall ensure that the own funds used to meet the requirement from the guidance on additional own funds, other than the part used to cover the risk of excessive leverage, are not used to meet any of the following requirements:

1) the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013; or

2) the additional own funds requirement determined in accordance with Article 107 of this Act, imposed by the Croatian National Bank, not intended to cover the risk of excessive leverage and that is not the combined buffer requirement.

(8) The credit institution shall ensure that the own funds used to meet the guidance on additional own funds, including the risk of excessive leverage, are not used to meet any of the following requirements:

1) the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;

2) the additional own funds requirement determined in accordance with Article 107 of this Act, imposed by the Croatian National Bank to cover the risk of excessive leverage; or

3) the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013.

(9) The restrictions referred to in Articles 250 to 254 of this Act shall not apply to the credit institution that does not comply with the guidance on additional own funds but meets the relevant own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402, the relevant additional own funds requirement referred to in Article 105, paragraph (1), item (1) of this Act and the combined buffer requirement or the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013.

Cooperation with resolution authorities

Article 109

The Croatian National Bank shall notify the resolution authority of:

1) the additional own funds requirement imposed on the credit institution pursuant to Article 105, paragraph (1), item (1) of this Act; and

2) the guidance on additional own funds communicated to the credit institution in accordance with Article 108, paragraph (4) of this Act.

Specific liquidity requirements

Article 110

(1) For the purposes of determining the appropriate level of liquidity requirements on the basis of the supervision exercised in accordance with Articles 98 to 101 of this Act, the Croatian National Bank shall decide whether any imposition of a specific liquidity requirement, including the supervisory measure referred to in Article 105, paragraph (1), item (16) of this Act is necessary to capture liquidity risks to which a credit institution is or might be exposed.

(2) When adopting a decision referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the following:

1) the business model of the credit institution;

2) governance arrangements, strategies, policies, processes and procedures of the credit institution referred to in Title XV of this Act, in particular the requirements for liquidity risk management as prescribed by this Act and regulations adopted pursuant to this Act; and

3) the findings of the review and evaluation process carried out in accordance with Article 98 of this Act.

(3) The Croatian National Bank shall notify the European Banking Authority of all the measures taken in accordance with this Article.

CHAPTER III
PUBLIC DISCLOSURE BY CREDIT INSTITUTIONS

Special requirements regarding public disclosure of information

Article 111

The Croatian National Bank may:

1) impose on a credit institution the obligation to publish information referred to in Part Eight of Regulation (EU) No 575/2013 on its website, including more frequent reporting requirements than those required under Articles 433 to 433c of Regulation (EU) No 575/2013;

2) set deadlines for credit institutions, other than small and non-complex institutions, to submit disclosure information to the European Banking Authority for its publication on the website of the European Banking Authority for centralised disclosures;

3) require credit institutions to use specific media and locations for publications, other than the website of the European Banking Authority for centralised disclosures, or the financial statements of institutions; and

4) determine the manner in which a credit institution which becomes bound by the output floor has to communicate and disclose to the Croatian National Bank the impact on the prudential requirements of that institution.

Public disclosure of governance, organisation and remuneration information

Article 112

(1) A credit institution shall publicly disclose the target representation of the underrepresented gender and how it is to be achieved in accordance with Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013.

(2) An RC parent credit institution, an EU parent credit institution having its head office in the RC, a parent financial holding company and a mixed financial holding company authorised under this Act and the designated entity referred to in Title X of this Act shall publicly disclose a description of legal relationships within its group of credit institutions in the RC and a description of governance arrangements and organisational structure of its group of credit institutions in the RC.

(3) By way of derogation from paragraph (2) of this Article, instead of a detailed description, an RC parent credit institution, an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company or a designated entity referred to in Title X of this Act may specify links to the already published relevant information.

(4) An RC parent credit institution, an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company or a designated entity referred to in Title X of this Act shall regularly update the information referred to in paragraphs (2) and (3) of this Article on their website.

(5) Credit institutions shall publicly disclose on their website and regularly update the information on their compliance with the provisions on:

1) the composition, duties and responsibilities of the management and supervisory board prescribed in Title VI of this Act;

2) the governance arrangements referred to in Title XV, Chapter III of this Act;

3) the organisational structure referred to in Title XV, Chapter IV of this Act;

4) the remuneration policies referred to in Title XV, Chapter VI of this Act.

(6) The Croatian National Bank shall adopt subordinate legislation to regulate the frequency and time limits for the public disclosure of information referred to in paragraph (5) of this Article.

CHAPTER IV
PARTICIPATION IN THE GENERAL ASSEMBLY

Participation of a representative of the Croatian National Bank at the general assembly

Article 113

(1) The Croatian National Bank may authorise a representative of the Croatian National Bank to participate in the general assembly of a credit institution.

(2) The credit institution shall enable the representative of the Croatian National Bank referred to in paragraph (1) of this Article to participate in the general assembly, and where necessary, to speak at the general assembly.

CHAPTER V
TRUSTEE

Trustee of the Croatian National Bank

Article 114

(1) The Croatian National Bank may conduct an enhanced on-site inspection of a credit institution by appointing a trustee, in the case referred to in Article 100, paragraph (4) of this Act and in other cases when it determines that a more detailed assessment and monitoring of the financial position and the operating conditions of a credit institution are needed.

(2) The Croatian National Bank may remove a trustee from office during his term of office and appoint another trustee.

(3) The Croatian National Bank may in the decision on the appointment of a trustee appoint one or more assistants to the trustee of which one will be appointed deputy trustee.

(4) An employee of the Croatian National Bank or another person may be appointed a trustee.

(5) A trustee and assistant trustees shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(6) The Croatian National Bank shall lay down in the decision on the appointment of a trustee the content of the report on the established situation to be prepared by the trustee and the deadline for its delivery to the Croatian National Bank.

(7) The term of office of the trustee and assistant trustees shall be laid down in the decision on the appointment of the trustee and trustee assistants and shall not exceed 12 months.

Trustee's powers

Article 115

(1) A credit institution shall invite the trustee to the meetings of the management and supervisory board and meetings of their bodies and shall deliver to the trustee in a timely manner all the information and documentation relevant to follow the meetings, and the trustee shall have the right to be present at the meetings and participate in their work, but shall not have the right to vote.

(2) A trustee shall have the right to convene meetings of the management and supervisory board of the credit institution and meetings of their bodies, propose agenda items and submit proposals of decisions, and members of these bodies shall be obligated to attend.

(3) A trustee or assistant trustee may not transfer his powers to other persons and shall be responsible for his work to the Croatian National Bank.

(4) A credit institution and all its bodies shall make available to the trustee and his assistants all the relevant information and documentation and shall provide them access to its business books.

Trustee's responsibility of additional reporting

Article 116

(1) A trustee shall notify the Croatian National Bank without delay, and at the latest within five working days of becoming aware of all circumstances which under his assessment may result in the credit institution failing to comply with the imposed supervisory measures and of all circumstances which under his assessment may contribute to the deterioration of the credit institution's financial position or may contribute to the conditions for early intervention measures referred to in Article 271 of this Act being met.

(2) Where a trustee establishes at any time that the circumstances referred to in paragraph (1) of this Article have arisen, he shall prepare a special report thereon and submit it to the Croatian National Bank.

Actions of the Croatian National Bank based on the trustee's report

Article 117

(1) Based on a report on the established situation referred to in Article 114 or a special report referred to in Article 116 of this Act, the Croatian National Bank may impose on a credit institution a supervisory measure referred to in Article 105 of this Act.

(2) If the Croatian National Bank, based on the report on the established situation referred to in Article 114 of this Act or a special report referred to in Article 116 of this Act, finds that the conditions are met for imposing early intervention measures, it shall impose the measures in accordance with Article 271 of this Act.

Expiry of trustee's powers

Article 118

The trustee's or assistant trustee's powers shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator; or

5) of the appointment of resolution administration.

CHAPTER VI
SUPERVISION OF CREDIT INSTITUTIONS PROVIDING SERVICES IN ANOTHER MEMBER STATE THROUGH A BRANCH OR DIRECTLY

Cooperation as regards the supervision of credit institutions providing services in the territories of other Member States through a branch or directly

Article 119

(1) The Croatian National Bank shall cooperate with the competent authority of the host Member State in the supervision of a credit institution providing services within the territory of that Member State through a branch or directly.

(2) The Croatian National Bank and the competent authority of the host Member State, in addition to other reporting obligations under this Act, shall exchange:

1) all information concerning the management and ownership structure of a credit institution that is likely to facilitate supervision and verification of fulfilment of the conditions for authorisation;

2) information likely to facilitate supervision, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control mechanisms.

(3) The Croatian National Bank shall without delay provide the competent authorities of host Member States with any information and findings pertaining to liquidity supervision in accordance with Part Six of Regulation (EU) No 575/2013 and the provisions of this Act governing supervision on a consolidated basis of the activities performed by the credit institution through its branches, to the extent that such information and findings are relevant to the protection of depositors or investors in the host Member State.

(4) The Croatian National Bank shall inform the competent authorities of all host Member States immediately where liquidity stress occurs or can reasonably be expected to occur in a credit institution providing services in the territory of that country through a branch and information shall also include details about the planning and implementation of a recovery plan and about any prudential supervision measures taken in that context.

(5) The Croatian National Bank shall communicate and explain upon request by the competent authority of the host Member State how information and findings provided by the that competent authority of the Host Member State in accordance with paragraph (2) of this Article have been taken into account.

(6) Where, following communication of information and findings, the competent authorities of the host Member State maintain that no appropriate measures have been taken by the Croatian National Bank in accordance with paragraph (5) of this Article, the competent authorities of the host Member State may, after notifying the Croatian National Bank and the European Banking Authority, take appropriate measures to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(7) Where the Croatian National Bank as the competent authority of the home Member State disagrees with the measures referred to in paragraph (6) of this Article taken or intended by the competent authorities of the

host Member State, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010, in which case the European Banking Authority shall take a decision within one month.

(8) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

On-site inspection of the branch in a host Member State

Article 120

(1) The Croatian National Bank or persons it has authorised for individual supervisory tasks may carry out an on-site inspection, including the verification of the information referred to in Article 119 of this Act, of the credit institution operating within the territory of another Member State through a branch, after notifying in advance the competent authority of the host Member State.

(2) The Croatian National Bank may request the competent authority of the host Member State in which the credit institution provides services to carry out an on-site inspection of that credit institution's branch or appoint a certified auditor or another professionally qualified person to carry out an on-site inspection of the branch.

(3) The Croatian National Bank may participate in an on-site inspection of the credit institution's branch situated in a Member State regardless of who carries out the on-site inspection.

(4) Where the competent authorities of the host Member State carried out an on-site inspection of a branch of a credit institution having its head office in the Republic of Croatia for reasons of stability of the financial system in the host Member State and submitted to the Croatian National Bank the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the host Member State, the Croatian National Bank shall duly take into account that information and those findings in determining its supervisory examination programme referred to in Article 100 of this Act, also having regard to the stability of the financial system in the host Member State.

(5) An on-site inspection of a branch in a host Member State conducted by the Croatian National Bank shall be conducted in accordance with the regulations of the host Member State.

Measures against credit institutions located in host Member States as regards the provision of services within the territory of that Member State

Article 121

(1) Where the competent authority of the host Member State in which a credit institution provides services through a branch or directly, on the basis of information received from the Croatian National Bank in accordance with Article 119 of this Act, notifies the Croatian National Bank that the credit institution concerned, in connection with the provision of services within the territory of that Member State, breaches the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013, the Croatian National Bank shall, unless a reorganisation measure is adopted in the national legislation of the Member States transposing Article 3 of Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding-up of credit institutions (OJ L 125, 5. 5. 2001) (hereinafter referred to as 'Directive 2001/24/EC') without delay impose supervisory measures on the credit institution to remedy its non-compliance or avert the risk of non-compliance and shall notify the competent authority of the host Member State thereof without delay.

(2) Where the competent authority of the host Member State considers that the Croatian National Bank has not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(3) Where the European Banking Authority, in the case referred to in paragraph (2) of this Article, acts in accordance with Article 19 of Regulation (EU) No 1093/2010, it shall adopt a decision pursuant to Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within 24 hours.

(4) In the case referred to in paragraph (2) of this Article, the European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement between the competent authority of the host Member State and the Croatian National Bank.

(5) Where the competent authority of the host Member State in which a credit institution provides services through a branch or directly has taken precautionary measures in connection with breaches referred to in paragraph (1) of this Article, and the Croatian National Bank disagrees with the measures taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010, where the European Banking Authority shall act in accordance with paragraphs (3) and (4) of this Article.

Notification to competent authorities of host Member States

Article 122

Where a credit institution has its authorisation withdrawn or has been imposed a supervisory measure of prohibition of providing a specific financial service, the Croatian National Bank shall notify the competent authority of the host Member State thereof without delay.

Supervision of a financial institution providing mutually recognised services in another Member State

Article 123

The provisions of this Chapter shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of another Member State in accordance with Article 57 of this Act.

CHAPTER VII
SUPERVISION OF CREDIT INSTITUTIONS OF OTHER MEMBER STATES PROVIDING SERVICES IN THE REPUBLIC OF CROATIA THROUGH A BRANCH OR DIRECTLY

Powers of supervision

Article 124

(1) The supervision of compliance of credit institutions with head offices in another Member State providing mutually recognised services within the territory of the Republic of Croatia through a branch or directly with the regulation transposing Directive 2013/36/EU, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 shall be exercised by the competent authority of the home Member State.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank shall be competent to exercise supervision of a credit institution with a head office in another Member State providing mutually recognised services within the territory of the Republic of Croatia through a branch or directly, in accordance with the powers referred to in this Title.

Powers to collect information and carry out on-site inspections of branches

Article 125

(1) A branch of a credit institution having its head office in another Member State providing mutually recognised services within the territory of the Republic of Croatia shall deliver to the Croatian National Bank information on all services that the branch provides within the territory of the Republic of Croatia in the manner and within the time limits provided for in the subordinate legislation adopted under Article 217, paragraph (2) of this Act.

(2) The Croatian National Bank shall be authorised to use the information collected pursuant to paragraph (1) of this Article:

1) for information or statistical purposes;

2) to decide on the designation of a branch as being significant in accordance with the provisions of this Act; and

3) to exercise supervision in accordance with the provisions of this Title.

(3) The Croatian National Bank shall be bound by the duty to protect the confidentiality of the information collected pursuant to paragraph (1) of this Act in accordance with Title XIII of this Act.

(4) Where a branch of a credit institution having its head office in another Member State operates within the territory of the Republic of Croatia, the competent authority of the home Member State may:

1) carry out an on-site inspection of the branch including the verification of the information referred to in Article 126 of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank thereof in advance; or

2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out the on-site inspection of the branch of a credit institution of that Member State within the territory of the Republic of Croatia.

(5) In the case referred to in paragraph (4), item (2) of this Article, the competent authority of the home Member State may participate in the on-site inspection of the branch of a credit institution from another Member State carried out by the Croatian National Bank or a person authorised by the Croatian National Bank.

(6) The Croatian National Bank may carry out an on-site inspection of a branch of a credit institution from another Member State and request all information on its operation, as well as information required for its supervision, where this is necessary for the purpose of maintaining the stability of the financial system of the Republic of Croatia.

(7) Before carrying out the inspection referred to in paragraph (6) of this Article, the Croatian National Bank shall consult the competent authority of the home Member State.

(8) After the on-site inspection referred to in paragraph (6) of this Article, the Croatian National Bank shall communicate to the competent authority of the home Member State the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the Republic of Croatia.

(9) The on-site inspection of a branch of a credit institution from another Member State shall be carried out in accordance with the regulations of the Republic of Croatia.

(10) When imposing measures on branches of credit institutions from other Member States, the Croatian National Bank shall not apply discriminatory or restrictive treatment on the basis that a credit institution is authorised in another Member State.

Cooperation as regards the supervision of credit institutions having their head offices in another Member State that provide services within the territory of the Republic of Croatia

Article 126

(1) The Croatian National Bank shall cooperate with the competent authority of the home Member State in the supervision of a credit institution having its head office in another Member State that provides services within the territory of the Republic of Croatia through a branch or directly.

(2) The Croatian National Bank and the competent authority of the home Member State, in addition to other reporting obligations under this Act, shall exchange:

1) all information concerning the management and ownership structure of a credit institution referred to in paragraph (1) of this Article that is likely to facilitate supervision and the fulfilment of the conditions for authorisation by the competent authority of the home Member State; and

2) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control mechanisms.

(3) The Croatian National Bank may request from the competent authority of the home Member State an explanation of the manner in which it took into consideration the information and findings it communicated to it in relation to the operation of the credit institution referred to in paragraph (1) of this Article.

(4) Where the Croatian National Bank maintains that no appropriate measures have been taken by the competent authority of the home Member State, the Croatian National Bank may, after notifying the competent authority of the home Member State and the European Banking Authority, take appropriate measures against the credit institution referred to in paragraph (1) of this Article to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(5) The credit institution referred to in paragraph (4) of this Article shall comply with the decision of the Croatian National Bank.

(6) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

Supervisory measures of the competent authority of the home Member State in relation to the services provided in the Republic of Croatia through a branch or directly

Article 127

(1) Where the Croatian National Bank on the basis of the information referred to in Articles 125 and 126, and Article 217, paragraph (2) of this Act establishes that a credit institution of another Member State which provides services in the Republic of Croatia through a branch or directly breaches the national provisions of the Member States transposing Directive 2013/36/EU or Regulation (EU) 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions of the Member States transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013, all in relation to the services the credit institution provides in the Republic of Croatia, the Croatian National Bank shall notify the competent authority of the home Member State thereof.

(2) Where the Croatian National Bank considers that the competent authority of the home Member State has not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in which case the European Banking Authority shall take a decision within 24 hours in accordance with paragraph (19), paragraph (3) of Regulation (EU) No 1093/2010.

(3) The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement between the competent authority of the host Member State and the Croatian National Bank.

Precautionary measures

Article 128

(1)) Before initiating the procedure referred to in Article 127 of this Act and before the adoption of measures by the competent authority of the home Member State or reorganisation measures referred to in the regulations transposing into national law of the Member States Article 3 of Directive 2001/24/EC, the Croatian National Bank shall, in emergency situations, impose precautionary measures, where it assesses this is necessary to prevent financial instability that might seriously threaten the common interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia and shall notify of these measures without delay the competent authority of the home Member State, the European Banking Authority and the European Commission.

(2) The precautionary measures referred to in paragraph (1) of this Article shall be proportionate to their purpose to protect against financial instability that might threaten the common interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia.

(3) The precautionary measures referred to in paragraph (1) of this Article may include a temporary suspension of payments.

(4) When imposing the precautionary measures referred to in paragraph (1) of this Article, the Croatian National Bank shall take account that creditors in the Republic of Croatia of the credit institution with a head office in another Member State which provides services in the Republic of Croatia are not put in a more favourable position than creditors of the same credit institution from other Member States.

(5) The precautionary measures referred to in paragraph (1) of this Article shall cease to have effect when the administrative, public or judicial authorities of the home Member State adopt a decision on reorganisation measures referred to in the regulations transposing Article 3 of Directive 2001/24/EZ.

(6) The Croatian National Bank shall terminate the implementation of the precautionary measures referred to in paragraph (1) of this Article if it considers those measures to have become obsolete because the competent authority of the home Member State has acted pursuant to the notification referred to in Article 127, paragraph (1) of this Act, unless these precautionary measures have ceased to have effect pursuant to paragraph (5) of this Article.

(7) The competent authority of the home Member State or any other Member State affected by the measure referred to in paragraph (1) of this Article may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in which case the European Banking Authority shall take a decision within 24 hours in accordance with Article (19), paragraph (3) of Regulation (EU) No 1093/2010.

(8) The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement between the competent authority of the Member State and the Croatian National Bank.

Actions for preventing or punishing breaches and protecting the general good

Article 129

(1) By way of derogation from the provisions of Articles 125 and 127 of this Act, the Croatian National Bank may, within its powers under this Act, take actions for preventing or punishing breaches committed within the territory of the Republic of Croatia of the provisions of this Act and subordinate legislation adopted pursuant to this Act or regulations adopted for the protection of the general good in the Republic of Croatia, for the oversight of which it is competent pursuant to those regulations.

(2) The actions referred to in paragraph (1) of this Article may include those aimed at preventing a credit institution from another Member State which provides services within the territory of the Republic of Croatia through a branch or directly, to initiate new legal transactions.

(3) The dissolution of a branch shall be subject to *mutatis mutandis* application of the provisions of the law governing companies, in particular those relating to the dissolution of undertakings, with the Croatian National Bank, in addition to the Government of the Republic of Croatia, acting as the authorised prosecutor.

Measures following the withdrawal of authorisation

Article 130

The Croatian National Bank shall take appropriate measures to prevent a credit institution from another Member State which provides services in the Republic of Croatia through a branch or directly, if the competent authority of the home Member state has withdrawn the founder's authorisation, from initiating further transactions within the territory of the Republic of Croatia in order to protect the interests of depositors.

Supervision of financial institutions providing mutually recognised services within the territory of the Republic of Croatia

Article 131

The provisions of this Chapter shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of the Republic of Croatia in accordance with Article 65 of this Act.

CHAPTER VIII
SUPERVISION OF THIRD-COUNTRY BRANCHES IN THE REPUBLIC OF CROATIA

Supervision of third-country branches in the Republic of Croatia

Article 132

(1) The Croatian National Bank shall exercise supervision of third-country branches in accordance with the method and scope of supervision of credit institutions with head offices in the Republic of Croatia, in particular:

1) by including third-country branches in the supervisory examination programme referred to in Article 100 of this Act;

2) in accordance with Article 98 of this Act, by applying the review and evaluation process to governance arrangements, strategies, policies, processes and procedures implemented by third-country branches to comply with the provisions that apply to them under this Act and regulations adopted under this Act;

3) by verifying the application of the provisions of this Act and regulations adopted under this Act, except for the provisions of Title XXIII of this Act, and by verifying the application of the provisions of Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013;

4) by imposing supervisory measures and exercising supervisory powers over third-country branches in accordance with this Act and Regulation (EU) No 575/2013.

(2) On the basis of the review and evaluation process referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall determine whether the governance arrangements, strategies, policies, processes and procedures implemented by third-country branches and the capital endowment and liquidity held by them ensure a sound management and coverage of their material risks and the viability of the third-country branches.

(3) The Croatian National Bank shall conduct the review and evaluation process referred to in paragraphs (1) and (2) of this Article in accordance with the criteria for applying the principle of proportionality published in accordance with Article 172, paragraph (1), item (3) of this Act.

(4) The Croatian National Bank shall, in particular, establish a level of frequency and intensity of the review referred to in paragraphs (1) and (2) of this Article that is proportionate to classification as class 1 and class 2 third-country branches and that takes into account other relevant criteria, such as the nature, scale and complexity of the third-country branches' activities.

(5) Where the Croatian National Bank, in conducting the review and evaluation process, in particular in evaluating the governance arrangements, the business model or the activities of a third-country branch, establishes the circumstances that indicate the existence of reasonable grounds to suspect that, in connection with that third-country branch, money laundering or terrorist financing within the meaning of regulations governing the prevention of money laundering and terrorist financing is being or has been committed or attempted, or that there is increased risk thereof, the Croatian National Bank shall immediately notify thereof the European Banking Authority, the competent supervisory authority responsible for supervision in the area of the prevention of money laundering and terrorist financing in accordance with the regulations governing the prevention of money laundering and terrorist financing and the Ministry of Finance – Anti-Money Laundering Office.

(6) Where there is increased risk of money laundering or terrorist financing, the Croatian National Bank and the authority competent for supervising the prevention of money laundering and terrorist financing in that branch shall without delay notify their common assessment to the European Banking Authority.

(7) In the case referred to in paragraphs (5) and (6) of this Article, the Croatian National Bank shall take, as appropriate, measures in accordance with this Act, which may include withdrawing the third-country branch's authorisation in accordance with Article 75, paragraph (1), item (10) of this Act.

(8) The Croatian National Bank, the authority competent for supervising the prevention of money laundering and terrorist financing in that branch and the Ministry of Finance – Anti-Money Laundering Office shall cooperate closely with each other within their respective competences and shall exchange information relevant to the application of this Act, provided that such cooperation and information exchange do not impinge on any ongoing inquiry, investigation or proceedings pursuant to the criminal or other applicable law of the Republic of Croatia.

(9) The Croatian National Bank may require a third-country branch to take the necessary measures at an early stage in order to:

1) ensure that the third-country branch complies with the requirements that apply to it under this Act or to restore compliance with those requirements; and

2) ensure that the material risks that the third-country branch is exposed to are covered and managed in a sound and sufficient manner and that that branch remains viable.

(10) In the case referred to in paragraph (9) of this Article, the Croatian National Bank may require a third-country branch, at least, to:

1) hold an amount of capital endowment in excess of the minimum requirements laid down in Article 77 of this Act or to comply with other additional capital requirements in excess of the requirements set out in Regulation (EU) No 575/2013;

2) meet, in addition to the requirements laid down in Article 78 of this Act, other specific liquidity requirements in excess of those set out in Regulation (EU) No 575/2013; any additional liquid assets to be held by the third-country branch in accordance with this item shall comply with the requirements laid down in Article 78 of this Act;

3) reinforce their governance, risk management or booking arrangements;

4) restrict or limit the scope of their business or of the activities they conduct, as well as of the counterparties with which they conclude contracts;

5) reduce the risk inherent in their activities, products and systems, including outsourced activities, and stop engaging in certain activities or offering certain products;

6) comply with additional reporting requirements in accordance with Article 83 of this Act or increase the frequency of the regular reporting;

7) make public disclosures; or

8) impose any other measure it deems appropriate and proportionate in order for the third-country branch to remove any weaknesses or deficiencies in the operation that do not constitute a breach of regulations or restore compliance of its operations with the provisions of this Act, Regulation (EU) No 575/1013 and other regulations governing the operation of third-country branches.

(11) Any additional capital endowment amount to be held by the third-country branch in accordance with paragraph (10), item (1) of this Article shall comply with the requirements laid down in Article 77 of this Act.

(12) The third-country branch shall comply with the decision of the Croatian National Bank.

Cooperation between competent authorities and colleges of supervisors

Article 133

(1) The Croatian National Bank and the competent authorities of other Member States supervising third-country branches and subsidiary institutions of the same third-country group shall cooperate closely and share information with each other.

(2) The Croatian National Bank and the competent authorities referred to in paragraph (1) of this Article shall conclude written coordination and cooperation arrangements in accordance with Article 144 of this Act.

(3) Class 1 third-country branches and subsidiary institutions of the same third-country group shall be subject to the comprehensive supervision of a college of supervisors in accordance with Article 140 of this Act under the following rules:

1) where a college of supervisors has been established in relation to the subsidiary institutions of a third-country group, a class 1 third-country branch of the same group shall be included within the scope of that college of supervisors;

2) where the third-country group has class 1 third-country branches in more than one Member State, but no subsidiary institutions in the European Union subject to Article 140 of this Act, a college of supervisors shall be established for the purpose of exercising supervision of those class 1 third-country branches;

3) where the third-country group has class 1 third-country branches in more than one Member State or at least one class 1 third-country branch, and one or more subsidiary institutions in the European Union that are not subject to Article 140 of this Act, a college of supervisors shall be established in relation to those third-country branches and subsidiary institutions.

(4) For the purposes of paragraph (3), items (2) and (3) of this Article, the Croatian National Bank and the competent authorities referred to in paragraph (1) of this Article shall ensure that there is a lead competent authority, which shall be that of the Member State with the largest third-country branch in terms of total value of booked assets, that performs the same role as the consolidating supervisor in accordance with Article 140 of this Act.

(5) In addition to the tasks set out in Article 140 of this Act, the college of supervisors shall:

1) prepare a report on the structure and activities of the third-country group in the European Union and update that report on an annual basis;

2) exchange information on the results of the review and evaluation process referred to in Article 132 of this Act;

3) endeavour to align the application of the supervisory measures and powers referred to in Article 132 of this Act;

(6) The college of supervisors shall ensure appropriate coordination and cooperation with relevant third-country competent authorities, where appropriate.

CHAPTER IX
SUPERVISION ON A CONSOLIDATED BASIS

Supervision on a consolidated basis

Article 134

(1) In addition to exercising supervision of credit institutions in the Republic of Croatia on an individual basis, the Croatian National Bank shall exercise supervision of groups of credit institutions in the RC on a consolidated basis.

(2) By way of derogation from paragraph (1) of this Article, when the European Central Bank is the consolidating supervisor, the Croatian National Bank may participate in supervision on a consolidated basis or in a college of supervisors as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

(3) When the consolidating supervisor is a supervisory authority from a non-participating Member State in supervision on a consolidated basis or in a college of supervisors in relation to a significant supervised entity, the Croatian National Bank may participate as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

(4) In order to ensure that requirements or supervisory powers are applied on a consolidated or sub-consolidated basis, for the purposes of Title XIV of this Act, this Chapter and Regulation (EU) No 575/2013, the terms 'credit institution', 'parent credit institution in a Member State', 'RC parent credit institution', 'EU parent credit institution, 'EU parent credit institution having its head office in the RC' and 'parent undertaking' shall also include:

1) financial holding companies and mixed financial holding companies that have been granted approval in accordance with this Act or in accordance with the relevant provisions of regulations in force in another Member State;

2) designated institutions controlled by an EU parent financial holding company, an EU parent mixed financial holding company, a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State where the relevant parent is subject to exemption in accordance with Article 88 of this Act or in accordance with the relevant provisions of regulations in force in another Member State;

3) a financial holding company, mixed financial holding company or an institution designated pursuant to Article 89, paragraph (2), item (3) of this Act or the relevant provisions of regulations in force in another Member State.

Group of credit institutions in the RC

Article 135

(1) A group of credit institutions in the RC shall include credit institutions and financial institutions having their head office in the Republic of Croatia or in another country, of which at least one institution has the status of:

1) an RC parent credit institution;

2) an EU parent credit institution having its head office in the RC;

3) an RC parent financial holding company of which at least one credit institution subsidiary has been authorised under this Act;

4) an EU parent financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised under this Act;

5) an EU parent financial holding company of which at least one credit institution subsidiary has been authorised under this Act;

6) an RC parent mixed financial holding company of which at least one credit institution subsidiary has been authorised under this Act;

7) an EU parent mixed financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised under this Act;

8) an EU parent mixed financial holding company of which at least one credit institution subsidiary has been authorised under this Act;

9) an RC parent investment firm, an EU parent investment firm having its head office in the RC or an EU parent investment firm where at least one of its subsidiaries is a credit institution in the RC or where there are more credit institution subsidiaries, the credit institution having its head office in the RC with the largest balance sheet total.

(2) Where two or more credit institutions or investment firms authorised in the European Union have a joint RC parent financial holding company, RC parent mixed financial holding company, EU parent financial holding company, EU parent financial holding company having its head office in the RC, EU parent mixed financial holding company or EU parent mixed financial holding company having its head office in the RC, a group of credit institutions in the RC shall exist if the parent holding company has as its subsidiary:

1) only one credit institution authorised under this Act; or

2) several credit institutions and the credit institution authorised under this Act with the largest balance sheet total.

(3) A group of credit institutions in the RC shall also exist in the cases where consolidation is required pursuant to Article 18, paragraph (3) or Article 18, paragraph (6) of Regulation (EU) No 575/2013 and where the Croatian National Bank is the competent authority for the credit institution with the largest balance sheet total.

(4) By way of derogation from paragraph (1), item (9), paragraph (2), item (2) and paragraph (3) of this Article, a group of credit institutions in the RC shall exist where the sum of the balance sheet totals of credit institutions members of a group of credit institutions authorised under this Act is higher than the balance sheet total of credit institutions members of the group of credit institutions supervised on an individual basis by another competent authority.

(5) By way of derogation from paragraph (1) of this Article, a group of credit institutions in the RC shall not include entities excluded from the scope of prudential consolidation pursuant to Article 19 of Regulation (EU) No 575/2013.

Special cases of inclusion in a group of credit institutions in the RC

Article 136

(1) The Croatian National Bank may require an RC parent credit institution, an EU parent credit institution having its head office in the RC, an RC parent financial holding company, an EU parent financial holding company, an EU parent financial holding company having its head office in the RC, an RC parent mixed financial holding company, an EU parent mixed financial holding company, an EU parent mixed financial holding company having its head office in the RC, a legal person that is neither a credit institution, an investment firm nor a financial institution or a credit institution that is linked with such a legal person in the manner referred to in Article 3, paragraph (1), item (5) of this Act, to include in a group of credit institutions in the RC some members of the group and to carry out consolidation in accordance with this Act and the regulations of the European Union governing the operation of credit institutions of all members of the group regardless of their activity, where this is relevant for a comprehensive and objective presentation of the credit institution's financial position and operating results or for compliance with requirements on a consolidated basis.

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

Assumption and delegation of responsibility for supervision on a consolidated basis

Article 137

(1) Where the Croatian National Bank is not the consolidating supervisor, it may, in particular cases and by common agreement with the competent authorities of other Member States, derogate from the application of the criteria transposed into the national legislation of other Member States from Article 111, paragraphs (1), (3) and (4) of Directive 2013/36/EU and assume the responsibility for supervision on a consolidated basis from the competent authority of another Member State, taking into account the relative importance of activities of individual credit institutions from the Republic of Croatia within the group.

(2) Where the Croatian National Bank is the consolidating supervisor, it may in particular cases derogate from the application of the criteria referred to in Article 135 of this Act and, by common agreement with the competent authorities of other Member States, delegate the responsibility for supervision on a consolidated basis of a particular group of credit institutions to the competent authority of the Member State in which another institution within the group has its head office, taking into account the relative importance of activities in other Member States of individual members of a group of credit institutions in the RC or, where necessary, ensure that the same competent authority carries out supervision on a consolidated basis on an ongoing basis.

(3) Before adopting a decision to delegate the responsibility referred to in paragraph (2) of this Article, the Croatian National Bank shall give the EU parent credit institution having its head office in the RC, EU parent financial holding company having its head office in the RC, EU parent financial holding company, EU parent mixed financial holding company or credit institution with the largest balance sheet total the right to be heard with regard to that decision.

(4) The Croatian National Bank shall without delay notify the European Commission and the European Banking Authority of the assumption and delegation of responsibility referred to in this Article.

Inclusion of holding companies in supervision on a consolidated basis

Article 138

(1) A subsidiary of a member of a group of credit institutions in the RC shall deliver to an RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the approval referred to in Article 87 of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC, an EU parent financial holding company and an EU parent mixed financial holding company having its head office in the RC or a designated entity referred to in Articles 88 and 89 of this Act:

1) the data relevant for the purposes of consolidation;

2) ensure adequate internal control procedures to verify the correctness of such data and information; and

3) deliver the data relevant to determine the scope of consolidation.

(2) An RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the approval referred to in Article 87 of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC, an EU parent financial holding company, an EU parent mixed financial holding company and an EU parent mixed financial holding company having its head office in the RC or a designated entity referred to in Articles 88 and 89 of this Act shall ensure that a subsidiary of a member of a group of credit institutions in the RC delivers to it the data relevant for the purposes of consolidation.

(3) The subsidiary of a member of a group of credit institutions in the RC, the parent mixed financial holding company and the parent financial holding company referred to in Articles 135 and 136 of this Act shall

enable the Croatian National Bank, as the competent authority responsible for supervision on a consolidated basis, to exercise supervision of their operations for the purpose of verifying the information referred to in paragraphs (1) and (2) of this Article.

(4) The parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in supervision on a consolidated basis of the parent undertaking pursuant to Article 19 of Regulation (EU) No 575/2013 shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising that credit institution.

(5) The legal person which is a subsidiary of an RC parent credit institution, an EU parent credit institution having its head office in the RC, a mixed financial holding company or a financial holding company referred to in Article 135 of this Act and which is not included in supervision on a consolidated basis, shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising individual credit institutions within the group of credit institutions in the RC and enable the carrying out of on-site inspections to verify the information delivered.

(6) Where the legal person referred to in paragraph (5) of this Article has its head office in another Member State, the on-site inspections referred to in paragraph (5) of this Article shall be carried out in accordance with Article 151 of this Act.

Supplementary supervisory tasks on a consolidated basis

Article 139

(1) Where the Croatian National Bank is the consolidating supervisor, in addition to the obligations imposed by the provisions of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall carry out the following tasks:

1) coordination of the gathering and dissemination of relevant or essential information between the competent authorities of other countries involved in supervision on a consolidated basis in going concern and emergency situations;

2) planning and coordination of supervisory activities in going-concern situations, including in relation to the activities of supervision on a consolidated basis, in cooperation with the competent authorities of other countries involved; and

3) planning and coordination of supervisory activities in cooperation with the competent authorities of other countries involved, and, where necessary, with the central banks of the European System of Central Banks, in preparation for and during emergency situations, including adverse developments in credit institutions or in financial markets using, where possible, existing defined channels of communication for facilitating crisis management.

(2) The planning and coordination of supervisory activities referred to in paragraph (1), item (3) of this Article shall include exceptional measures referred to in Article 145, paragraph (6), item (4) of this Act, the preparation of joint assessments, the implementation of contingency plans and communication to the public.

(3) Where the competent authorities involved in supervision on a consolidated basis fail to cooperate with the Croatian National Bank in the manner that ensures the fulfilment of obligations referred to in paragraph (1) of this Article, in cases where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(4) In cases where the Croatian National Bank is not the consolidating supervisor and the consolidating supervisor fails to fulfil the obligations equivalent to the obligations referred to in paragraph (1) of this Article, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

College of supervisors

Article 140

(1) If any of the members of a group of credit institutions in the RC has a head office in another Member State, and the Croatian National Bank is the consolidating supervisor, the Croatian National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 139, 141 and 143 of this Act.

(2) If any of the members of a group of credit institutions in the RC has a member of a group or a branch in a third country, and the Croatian National Bank is the consolidating supervisor, the Croatian National Bank shall, subject to the provisions of this Act on the confidentiality of information and comparability with Croatian law, ensure cooperation and coordination with relevant third-country competent authorities.

(3) Where the Croatian National Bank is the consolidating supervisor, and all the members of a group of credit institutions that do not have a head office in the RC have a head office in a third country, the Croatian

National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 139, 143 and 144 of this Act, provided that the competent authorities in a third country are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 161 of this Act and to the requirement relating to the duty to protect the confidentiality of information which is in its content equal to that in the regulations governing the financial instruments markets.

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

1) exchanging information, whereby the exchange of information with the European Banking Authority is carried out in accordance with Article 21 of Regulation (EU) No 1093/2010;

2) agreeing on the voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate;

3) determining supervisory examination programmes referred to in Article 100 of this Act based on a risk assessment of the group of credit institutions in accordance with Article 98 of this Act;

4) increasing the efficiency of supervision by removing unnecessary duplication of supervisory requirements, including in relation to the information requests referred to in Article 143 and Article 145, paragraph (7) of this Act;

5) consistently applying the prudential requirements under this Act, other special regulations and Regulation (EU) No 575/2013 across all members within a group of credit institutions without prejudice to the options and discretions available in the regulations of the European Union governing the operation of credit institutions; and

6) carrying out the tasks referred to in Article 139, paragraph (1), item (3) of this Act taking into account the work of other forums that may be established in this area.

(5) The Croatian National Bank shall cooperate closely with other competent authorities participating in the supervisory college and the European Banking Authority taking into account the responsibilities of the competent authorities. The establishment and functioning of the college shall not affect the responsibilities of the Croatian National Bank under this Act and Regulation (EU) No 575/2013.

(6) The exchange of information within the framework of colleges of supervisors established under this Article shall not constitute a breach of the duty to protect the confidentiality of information referred to in this Act.

(7) Where the Croatian National Bank is the consolidating supervisor, it shall, pursuant to Article 144 of this Act, in cooperation with other competent authorities regulate the establishment and the operation of a college of supervisors by a written agreement.

(8) The Croatian National Bank as the consolidating supervisor may also invite the following to participate in the activities of the college:

1) the competent authorities of the Republic of Croatia or other Member States in which a member of a group of credit institutions in the RC has its head office;

2) the competent authorities of other Member States where significant branches of a credit institution which has its head office in the Republic of Croatia are established; and

3) central banks of other Member States, where appropriate.

(9) In addition to the authorities referred to in paragraph (8) of this Article, the Croatian National Bank may, where appropriate and subject to confidentiality requirements that are equivalent, in the opinion of all competent authorities that are members of the college, to the requirements relating to the duty to protect the confidentiality of information under Title XIII of this Act, also invite third countries' competent authorities to participate in the college.

(10) Where the Croatian National Bank is the consolidating supervisor, it shall enable the participation in the college of supervisors to the competent authority from the Member State in which the financial holding company or mixed financial holding company is established and which has been authorised in accordance with Articles 87 and 88 of this Act.

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

1) the time and place of such meetings, the main issues to be discussed and the activities to be considered; and

2) the actions taken in those meetings or the measures carried out.

(12) The Croatian National Bank as the consolidating supervisor shall take account of the relevance of the supervisory activity to be planned for those authorities, in particular the potential impact on the stability of the

financial system in the Member States concerned and the obligations referred to in Article 139, paragraph (1), item (3) of this Act.

(13) Subject to the provisions of this Act on the confidentiality of information, the Croatian National Bank as the consolidating supervisor shall inform the European Banking Authority of the activities of the college of supervisors, including in emergency situations, and shall communicate to it all information that is of particular relevance for the purposes of supervisory convergence.

(14) In the event of a disagreement between competent authorities on the functioning of the college of supervisors, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(15) Where the European Banking Authority in accordance with Article 21 of Regulation (EU) No 1093/2010 participates in the work of the college of supervisors, it shall be considered the competent authority.

Joint decisions on institution-specific prudential requirements where the Croatian National Bank is the consolidating supervisor

Article 141

(1) Where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank and the competent authorities of the other Member States in which there are head offices of other undertakings included in a group of credit institutions in the RC shall cooperate to reach a joint decision:

1) in the field of the supervision and assessment of the adequacy of procedures in place to assess and maintain internal capital to determine the adequacy of the consolidated level of own funds held by the group of credit institutions in the RC with respect to its financial situation and risk profile and the imposition of an additional required level of own funds in accordance with Article 105, paragraph (1), item (1) of this Act to each member of the group of credit institutions in the RC and on a consolidated basis;

2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 105, paragraph (1), item (16) of this Act, and a specific liquidity requirement in accordance with Article 110 of this Act; and

3) on the application of the guidance on additional own funds referred to in Article 108 of this Act.

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

1) the risk assessment of the group of credit institutions in the RC and the need to impose additional own funds requirement in accordance with Article 105, paragraph (1) of this Act;

2) the assessment of the liquidity risk profile of the group of credit institutions in the RC and the need to impose supervisory measures in accordance with Article 105, paragraph (1), item (16) of this Act, including a specific liquidity requirement in accordance with Article 110 of this Act; and

3) the risk assessment of the group of credit institutions in the RC and the need to issue the guidance in accordance with Article 108 of this Act.

(3) The joint decision referred to in paragraph (1) of this Article shall be reached within four months after the submission of the report referred to in paragraph (2) of this Article. The joint decision shall also duly consider the risk assessment of the members of the group of credit institutions in the RC performed by relevant competent authorities of other Member States.

(4) The joint decision referred to in paragraph (1), items (1) and (2) of this Article must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(5) In the event of a disagreement on the adoption of the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank shall at the request of the competent authority of another Member State consult the European Banking Authority or the Croatian National Bank may also consult the European Banking Authority on its own initiative.

(6) In the absence of a joint decision within the time period referred to in paragraph (3) of this Article, the decisions on the application of Article 98, Article 105, paragraph (1), item (1), Article 108 and/or Article 110 of this Act shall be taken on a consolidated basis by the Croatian National Bank after duly considering the risk assessment of the members of the group of credit institutions in the RC performed by relevant competent authorities. The Croatian National Bank shall take a decision on each member of the group within its competence.

(7) By way of derogation from paragraph (6) of this Article, where within four months after submission of the report referred to in paragraph (2) of this Article and prior to the reaching of a joint decision the Croatian National Bank or any other competent authority of other Member States refers the matter to the European Banking Authority in accordance with Article 19 of Regulation (EU) No 1093/2010 and where the European Banking Authority takes a decision in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010, provided that after the expiry of the four-month period or after the reaching of a joint decision the matter is not referred to the European Banking Authority.

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

(9) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall consider the advice of the European Banking Authority, and explain any significant deviation therefrom.

(10) Based on the decisions referred to in paragraph (4), (6), (7) or (8) of this Article, the Croatian National Bank shall take a decision and deliver it to the member of the group of credit institutions in the RC within its competence.

(11) The Croatian National Bank shall update the decisions referred to in paragraph (4), (6), (7) or (8) of this Article on an annual basis at a minimum.

(12) By way of derogation from paragraph (11) of this Article, the Croatian National Bank shall update the decisions referred to in paragraph (1) of this Article if the competent authority of another Member State makes a written and fully reasoned request to the Croatian National Bank to update the decision. The update may be addressed on a bilateral basis between the Croatian National Bank and the competent authority making the request.

Joint decisions on institution-specific prudential requirements where the Croatian National Bank is not the consolidating supervisor

Article 142

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on:

1) in the field of the supervision and assessment of the adequacy of procedures in place to assess and maintain internal capital to determine the adequacy of the consolidated level of own funds held by the relevant group of credit institutions with respect to its financial situation and risk profile and the imposition of an additional required level of own funds in accordance with Article 105, paragraph (1), item (1) of this Act to each member of the relevant group of credit institutions and on a consolidated basis;

2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 105, paragraph (1), item (16) and Article 110 of this Act; and

3) on the application of the guidance on additional own funds referred to in Article 108 of this Act.

(2) Based on the supervision exercised and the assessment of the adequacy of procedures in place to assess and maintain internal capital of a member of the relevant group of credit institutions within its competence, the Croatian National Bank shall prepare a report on:

1) the risk assessment of a member of the relevant group of credit institutions within its competence and the need to impose additional own funds requirement in accordance with Article 105, paragraph (1), item (1) of this Act;

2) the assessment of the liquidity risk profile of a member of the relevant group of credit institutions within its competence and the need to impose supervisory measures in accordance with Article 105, paragraph 1, item (16) of this Act and a specific liquidity requirement in accordance with Article 110 of this Act; and

3) the risk assessment of a member of the relevant group of credit institutions within its competence and the need to issue the guidance in accordance with Article 108 of this Act.

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

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

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

(6) In the absence of a joint decision referred to in paragraph (1) of this Article within four months after submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions, the Croatian National Bank shall take the decision on the application of Article 98, Article 105, paragraph (1), item (1), Article 108 and/or Article 110 of this Act on each member of the group or on a sub-consolidated basis for the group within its competence after duly considering the views and reservations expressed by the consolidating supervisor.

(7) By way of derogation from paragraph (6) of this Article, where the Croatian National Bank or another competent authority of a Member State, within four months of the submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions referred to in paragraph (2) of this Article, and prior to the reaching of a joint decision, has referred the matter to the European Banking Authority in accordance with Article 19 of Regulation (EU) No 1093/2010 and where the European Banking Authority takes a decision in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010, provided that after the expiry of the four-month period or after the reaching of a joint decision the matter is not referred to the European Banking Authority.

(8) The Croatian National Bank may make a written and fully reasoned request to the consolidating supervisor to update the decision referred to in paragraph (1) of this Article. The update may be addressed on a bilateral basis between the Croatian National Bank and the competent authority making the request.

(9) The Croatian National Bank shall update the decisions referred to in paragraph (6) or (7) of this Article on an annual basis at a minimum.

Notification of an emergency situation

Article 143

(1) Where the Croatian National Bank is the consolidating supervisor and an emergency situation arises, including the situation referred to in Article 18 of Regulation (EU) No 1093/2010 or a situation of adverse developments in markets, which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States where the members of a group of credit institutions have been authorised or where significant branches of a credit institution established in the Republic of Croatia provide services, the Croatian National Bank shall, in accordance with the provisions of this Act governing the exchange of confidential information, immediately notify the European Banking Authority, the persons referred to in Article 165, paragraph (1), item (1) and Article 167, paragraph (1) of this Act and the European Systemic Risk Board and shall communicate all information essential for the pursuance of their tasks, using existing defined channels of communication.

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

(3) Where the Croatian National Bank is the competent authority responsible for supervision on a consolidated basis and needs information on a group of credit institutions which has already been given to another competent authority, the Croatian National Bank shall contact this authority whenever possible in order to prevent duplication of reporting to the various competent authorities involved in supervision.

Coordination and cooperation agreements

Article 144

(1) In order to facilitate and establish effective supervision on a consolidated basis, the Croatian National Bank shall conclude written coordination and cooperation agreements with the other competent authorities involved in supervision.

(2) Under the agreements referred to in paragraph (1) of this Article, additional tasks may be entrusted to the consolidating supervisor and procedures for the decision-making process and for cooperation with other competent authorities may be specified.

(3) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 delegate its responsibility for supervision to the competent authorities which authorised and supervise the parent credit institution so that they assume responsibility for supervising the subsidiary credit institution which has its head office in the Republic of Croatia.

(4) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 assume responsibility for supervision of a credit institution in a Member State the parent undertaking of which is a credit institution which has its head office in the Republic of Croatia from the competent authorities which authorised and supervise the credit institution.

(5) Where the consolidating and the competent authority for a financial holding company or a mixed financial holding company authorised in accordance with Article 87 of this Act are not the same, the Croatian National Bank as the consolidating or the competent authority shall conclude coordination and cooperation agreements referred to in paragraph (1) of this Article with the other competent authorities in the Member State in which the financial holding company or mixed financial holding company is established.

(6) The Croatian National Bank shall notify the European Banking Authority of the existence and content of the bilateral agreements referred to in paragraphs (3) and (4) of this Article.

Exchange of information between the competent authorities of the Member States

Article 145

(1) The Croatian National Bank shall cooperate with the competent authorities of other Member States and provide them with any information which is essential or relevant for the exercise of supervisory tasks in accordance with this Act and Regulation (EU) No 575/2013 and shall communicate to other competent authorities:

1) on request, all relevant information or all information related to the exercise of the other authorities' supervisory tasks; or

2) on its own initiative, all essential information if it could materially influence the assessment of the financial soundness of a credit institution or financial institution in another Member State.

(2) The Croatian National Bank shall cooperate with the European Banking Authority for the purposes of implementing this Act and Regulation (EU) No 575/2013 and in accordance with Regulation (EU) No 1093/2010 and shall provide it with the information necessary to carry out its tasks under Directive 2013/36/EU, Regulation (EU) No 575/2013 and Regulation (EU) No 1093/2010 in the manner governed by Article 35 of Regulation (EU) No 1093/2010.

(3) The Croatian National Bank may refer to the European Banking Authority any of the following situations:

1) where a competent authority has not communicated essential information; and

2) where another competent authority has rejected a request for cooperation or has not acted upon a request for cooperation within a reasonable time, in particular upon a request to exchange relevant information.

(4) Where the Croatian National Bank is the consolidating supervisor of an EU parent credit institution having its head office in the RC, a credit institution controlled by an EU parent mixed financial holding company having its head office in the RC or a credit institution controlled by an EU parent financial holding company having its head office in the RC, it shall provide the competent authorities of other Member States which supervise subsidiaries of these parents all relevant information.

(5) In determining the extent of relevant information referred to in paragraph (4) of this Article, the Croatian National Bank shall take into account the importance of those subsidiaries within the financial system of those Member States.

(6) For the purposes of this Article, information shall be regarded as essential if it could materially influence the assessment of the financial soundness of a particular member of a group of credit institutions in another Member State, including, in particular, the following items:

1) essential information on legal relationships in a group and the management and organisational structure of the group, including all regulated and unregulated entities, unregulated subsidiary undertakings and significant branches belonging to the group and parent undertakings, in accordance with Article 16, paragraph (1), items (2) and (3), Article 175, paragraphs (5) and (6) and Article 181 of this Act, as well as essential information on the competent authorities responsible for the supervision of regulated entities in a group;

2) major procedures for collecting information from the credit institutions in a group, and the checking of that information;

3) adverse developments in credit institutions or in other members of a group, which could seriously affect other credit institutions in the group; and

4) breaches, penalties and exceptional measures taken by the competent authority against a credit institution, including the imposition of any additional specific own funds requirements under Articles 105, paragraph (1), item (1) of this Act and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(7) Where the Croatian National Bank is the competent authority responsible for the supervision of a credit institution controlled by an EU parent credit institution, it shall whenever possible contact the consolidating supervisor when it needs information regarding the implementation of approaches and methodologies set out in this Act and Regulation (EU) No 575/2013 that may already be available to that competent authority.

Cooperation with the competent authorities of the Member States which are involved in supervision on a consolidated basis

Article 146

(1) The Croatian National Bank shall, before adopting a decision that is of importance for other competent authorities' supervisory tasks, consult these competent authorities with regard to:

1) changes in the shareholder, organisational or management structure of credit institutions in a group, which require the authorisation or approval of the competent authorities; and

2) exceptional measures, breaches or penalties it intends to impose on a credit institution in accordance with this Act, including the imposition of an additional required level of own funds and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(2) In the cases referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall consult the consolidating supervisor.

(3) By way of derogation from paragraphs (1) and (2) of this Article, the Croatian National Bank may decide not to consult in cases of urgency or where such consultation may jeopardise the effectiveness of the decision. In such cases, the Croatian National Bank shall without delay notify the other competent authorities of the decision adopted.

(4) The Croatian National Bank shall, within its competence, cooperate and exchange the information relevant for the performance of tasks under this Act, Regulation (EU) No 575/2013 and regulations governing the prevention of money laundering and terrorist financing with the competent authority for the prevention of money laundering, Ministry of Finance – Anti-Money Laundering Office and other financial intelligence units as well as with other competent public supervisory authorities in supervising credit institutions with regard to the regulations governing the prevention of money laundering and terrorist financing, provided that such cooperation and exchange of information does not interfere with the ongoing enquiries, investigations or procedures in accordance with criminal or administrative law of the Member State in which the competent authority, the financial intelligence unit or other competent public supervisory authority is located, which is entrusted with the public authority of supervising the entities referred to in Article 2, paragraph (1), items (1) and (2) of Directive (EU) 2015/849 within the scope of its competence.

Obligations of mixed-activity holding companies and their subsidiaries regarding supervision on a consolidated basis

Article 147

(1) Where the parent undertaking of one or more credit institutions is a mixed-activity holding company, this holding company and its subsidiaries shall, on request of the Croatian National Bank, deliver to it all information which would be relevant for the purpose of supervising the credit institution subsidiaries either directly or via the credit institution subsidiaries.

(2) The Croatian National Bank or a person authorised by the Governor of the Croatian National Bank may carry out on-site inspections to verify information received from mixed-activity holding companies and their subsidiaries.

(3) If a mixed-activity holding company or one of its subsidiaries is an insurance undertaking, the procedure prescribed in Article 150 of this Act may be used.

(4) If a mixed-activity holding company or one of its subsidiaries has its head office in a Member State other than that in which the credit institution subsidiary has its head office, on-site inspections to verify information shall be carried out in accordance with the procedures referred to in Article 151 of this Act.

Supervision of intragroup transactions

Article 148

(1) Without prejudice to the requirements of Part Four of Regulation (EU) No 575/2013, where the parent undertaking of one or more credit institutions is a mixed-activity holding company, the Croatian National Bank shall, as the competent authority responsible for the supervision of these credit institutions, exercise general supervision over transactions between the credit institution and the mixed-activity holding company and its subsidiaries.

(2) The credit institutions referred to in paragraph (1) of this Article shall:

1) have in place adequate risk management procedures and internal control mechanisms, including sound reporting systems and accounting procedures, in order to identify, measure, monitor and control intragroup transactions with their parent mixed-activity holding company and its subsidiaries appropriately; and

2) notify the Croatian National Bank of any significant intragroup transaction with their parent mixed-activity holding company and its subsidiaries other than those referred to in Article 394 of Regulation (EU) No 575/2013.

(3) The procedures and significant intragroup transactions referred to in paragraph (2) of this Article shall be subject to overview by the Croatian National Bank.

Exchange of information for the purposes of supervision on a consolidated basis

Article 149

(1) Where a parent undertaking and any of its subsidiaries that are credit institutions have their head office in different Member States and where any of these undertakings has a head office in the Republic of Croatia, the Croatian National Bank shall exchange all relevant information with the competent authorities of other Member States which may allow or aid the exercise of supervision on a consolidated basis.

(2) Where the Croatian National Bank does not itself exercise supervision on a consolidated basis, it may be invited by the competent authorities of the other Member States responsible for exercising such supervision to ask the parent undertaking for any information which would be relevant for the purposes of supervision on a consolidated basis and to transmit it to the competent authorities of the other Member States.

(3) The Croatian National Bank shall not be the competent authority responsible for the supervision on an individual basis of financial holding companies, mixed financial holding companies, other financial institutions, ancillary services undertakings, mixed-activity holding companies and their subsidiaries other than credit institutions, as well as undertakings not included in supervision on a consolidated basis, in respect of which the information referred to in paragraph (2) of this Article and Article 147 is collected or possessed.

Cooperation between supervisory authorities where one of the subsidiaries is an insurance undertaking or an undertaking authorised to provide investment services

Article 150

(1) Where a credit institution, financial holding company, mixed financial holding company or a mixed-activity holding company controls one or more subsidiaries which are insurance undertakings or other undertakings providing investment services which are subject to authorisation, the Croatian National Bank shall cooperate with the supervisory authorities responsible for the supervision of those undertakings.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall exchange with the supervisory authorities any information likely to simplify their tasks and to allow supervision of the activity and overall financial position of the undertakings they supervise.

(3) Information received within the framework of supervision on a consolidated basis, and in particular any exchange of information between supervisory authorities, shall be subject to the duty to protect the confidentiality of information.

(4) Where the Croatian National Bank as the consolidating supervisor is not at the same time designated as the coordinator under regulations governing the supervision of financial conglomerates, the Croatian National Bank shall cooperate with the coordinator for the parent mixed financial holding company in the application of the provisions of this Act and Regulation (EU) No 575/2013 on a consolidated basis.

(5) For the purposes of paragraph (4) of this Article, the Croatian National Bank and the coordinator shall conclude a written mutual cooperation arrangement.

(6) Where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank shall establish a list of financial holding companies and mixed financial holding companies referred to in Article 11 of Regulation (EU) No 575/2013 and shall communicate it to the relevant competent authorities of the other Member States, the European Banking Authority and the European Commission.

Powers to carry out on-site inspections

Article 151

(1) The competent authorities of another Member State shall request the Croatian National Bank to have an on-site inspection carried out if they wish in specific cases to carry out an on-site inspection to verify the information concerning the following undertakings with head offices in the Republic of Croatia:

1) a credit institution;

2) a mixed financial holding company;

3) a financial holding company;

4) another financial institution;

5) a mixed-activity holding company;

6) a subsidiary referred to in Article 150, paragraph (1) of this Act; or

7) a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

(2) The Croatian National Bank may, where this is within its competence under this Act, act on the request of the competent authorities of the other Member State in one of the following ways:

1) carry out the inspection itself;

2) allow authorised persons of the competent authorities of the other Member State to carry out an on-site inspection pursuant to written consent of the Governor of the Croatian National Bank issued in accordance with an agreement; or

3) allow certified auditors or other professionally qualified persons to carry out an on-site inspection pursuant to written consent of the Governor of the Croatian National Bank issued in accordance with an agreement.

(3) Where the competent authorities of the other Member State do not carry out the on-site inspection referred to in paragraph (1) of this Article, they may participate in the inspection carried out by the Croatian National Bank, a certified auditor or another professionally qualified person authorised by the Governor of the Croatian National Bank.

(4) The Croatian National Bank shall request the competent authorities of the other Member State to have an on-site inspection carried out if it wishes in specific cases to carry out an on-site inspection to verify the information concerning the following undertakings with head offices in the other Member State:

1) a credit institution;

2) a mixed financial holding company;

3) a financial holding company;

4) another financial institution;

5) a mixed-activity holding company;

6) a subsidiary referred to in Article 150, paragraph (1) of this Act; or

7) a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

Imposition of supervisory measures

Article 152

Where financial holding companies, mixed financial holding companies, mixed-activity holding companies or responsible persons of these undertakings violate regulations governing supervision on a consolidated basis, the Croatian National Bank shall impose supervisory measures.

Application of regulations to mixed financial holding companies

Article 153

(1) Where the provisions of this Act equivalent to the provisions of regulations transposing Directive 2002/87/EC governing supplementary supervision of financial conglomerates, especially in the part relating to the supervision of operations, apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, after consulting the other authorities competent for the supervision of subsidiary undertakings, adopt a decision that only the relevant provisions of the law governing supplementary supervision of financial conglomerates shall apply to mixed financial holding companies.

(2) Where the provisions of this Act equivalent to the provisions of regulations transposing Directive 2009/138/EC governing insurance, especially in the part relating to the supervision of operations, apply to

mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, with the consent of the authority competent for the supervision of insurance undertakings, adopt a decision that only the relevant provisions of the law governing the most important financial sector determined under the law governing supplementary supervision of financial conglomerates or the national regulation transposing into the national legislation Article 3, paragraph (2) of Directive 2002/87/EC shall apply to mixed financial holding companies.

(3) Where the Croatian National Bank is the consolidating supervisor, it shall notify the European Banking Authority and the European Insurance and Occupational Pensions Authority of the decisions it adopted in accordance with paragraphs (1) and (2) of this Article.

(4) The European Central Bank shall assume the task of coordinator of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a significant supervised entity.

(5) The Croatian National Bank shall assume the task of coordinator of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a less significant supervised entity.

Cooperation with the competent authorities of third countries for the purposes of exercising supervision

Article 154

(1) The Croatian National Bank may conclude an agreement with one or more competent authorities of third countries for the purposes of exercising supervision on a consolidated basis over the following:

1) credit institutions the parent undertakings of which have their head office in a third country; or

2) credit institutions situated in third countries the parent undertakings of which, whether credit institutions, mixed financial holding companies or financial holding companies, have their head office in the Republic of Croatia.

(2) The agreement referred to in paragraph (1) of this Article shall seek to ensure the basis for the exchange of information which would be relevant for the purposes of consolidated supervision of credit institutions.

(3) The Croatian National Bank may propose to the European Commission the negotiation of agreements with one or more third countries for the purposes of exercising supervision over credit institutions.

Cooperation arrangements with third countries

Article 155

(1) Where a credit institution which has its head office in the Republic of Croatia and the parent undertaking of which is a credit institution or a mixed financial holding company or a financial holding company, the head office of which is in a third country, is not subject to supervision on a consolidated basis by the Croatian National Bank or the competent authority of another Member State, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, assess whether the subsidiary credit institution which has its head office in the Republic of Croatia is subject to consolidated supervision by the third-country competent authority which is equivalent to that governed by the principles set out in this Act and the requirements of Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013.

(2) The Croatian National Bank shall carry out the assessment referred to in paragraph (1) of this Article at the request of the parent undertaking or of any of the regulated entities authorised in a Member State, or on its own initiative, and it shall consult the other competent authorities involved in supervision.

(3) While carrying out the assessment referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account general guidance of the European Banking Committee as to whether the consolidated supervision arrangements of competent authorities in the third countries in which the head office of the parent undertaking is situated comply with the principles set out in this Act and Regulation (EU) No 575/2013. For this purpose, the Croatian National Bank shall consult the European Banking Authority before adopting a decision.

(4) Where it is established that in a third country there are no consolidated supervision arrangements equivalent to the principles set out in this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, apply *mutatis mutandis* the provisions of this Act and Regulation (EU) No 575/2013, or other appropriate supervisory procedures which achieve the objectives of supervision on a consolidated basis of credit institutions, to the credit institution subsidiary which has its head office in the Republic of Croatia.

(5) The supervisory procedures referred to in paragraph (4) of this Article shall, after consulting the other competent authorities involved in supervision, be agreed upon by the competent authority which would be responsible for the supervision on a consolidated basis of credit institutions.

(6) The Croatian National Bank may in particular cases require the establishment of a financial holding company or a mixed financial holding company which has its head office in one of the Member States and the carrying out of consolidation in accordance with this Act.

(7) The Croatian National Bank shall notify the other competent authorities involved in supervision on a consolidated basis, the European Banking Authority and the European Commission of the procedures referred to in this Article.

CHAPTER X
SIGNIFICANT BRANCH

Deciding on the status of a significant branch

Article 156

(1) The Croatian National Bank may make a request to the consolidating supervisor for a branch of a credit institution from that Member State which provides services within the territory of the Republic of Croatia to be considered as significant. Where the credit institution from the Member State is not a member of a group of credit institutions in the EU, the Croatian National Bank shall make the request to the competent authority of the home Member State.

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

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

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

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

(3) The Croatian National Bank, the competent authorities of the home Member State and, where determined, the consolidating supervisor shall cooperate in reaching a joint decision on the designation of a branch as being significant.

(4) Where the decision referred to in paragraph (3) of this Article is not reached within two months of receipt of a request referred to in paragraph (1) of this Article, the Croatian National Bank shall take its own decision within a further period of two months. In taking its own decision, the Croatian National Bank shall take into account any views of the consolidating supervisor or the competent authorities of the home Member State.

(5) The decisions referred to in paragraphs (3) and (4) of this Article shall be determinative and shall be delivered to all relevant competent authorities.

(6) The adoption of the decisions referred to in paragraphs (3) and (4) of this Article shall not affect the responsibilities of the other competent authorities under this Act.

(7) Where the competent authority of the home Member State has not consulted the Croatian National Bank regarding the operational steps prescribed for liquidity recovery plans taken by the competent authority, or where the Croatian National Bank after having carried out the consultations deems that the operational steps taken by the competent authority of the home Member States are not adequate, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) 1093/2010.

(8) The Croatian National Bank shall cooperate with the competent authorities of the home Member State of a credit institution from a Member State which has a significant branch in the Republic of Croatia when planning and coordinating the activities referred to in Article 139, paragraph (1), item (3) of this Act.

(9) The Croatian National Bank shall cooperate in the college of supervisors for significant branches of credit institutions from a Member State providing services within the territory of the Republic of Croatia that has been established by the competent authority of the home Member State for the purpose of cooperation laid down in Article 126 and Article 139, paragraph (1), item (3) of this Act and the exchange of information referred to in Article 145, paragraph (6), items (3) and (4) of this Act, if the competent authority of the home Member State decides to invite the Croatian National Bank to participate in the college.

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

Article 157

(1) If the Croatian National Bank as a consolidating supervisor receives a request from the competent authority of another Member State to consider a branch of a credit institution providing services within the

territory of that Member State as significant, the Croatian National Bank shall cooperate with the competent authority of the Member State concerned in reaching a joint decision on the designation of a branch as being significant.

(2) The decision referred to in paragraph (1) of this Article shall be determinative and shall be delivered to all relevant competent authorities.

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

(4) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the information referred to in Article 145, paragraph (6), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 139, paragraph (1), item (3) of this Act in cooperation with the competent authorities of the host Member State.

(5) Where an emergency situation arises within the credit institution referred to in paragraph (1) of this Article, the Croatian National Bank shall without delay notify the persons referred to in Article 165, paragraph (1), item (1) and Article 167, paragraph (1) of this Act and the European Systemic Risk Board.

(6) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the following information:

1) the risk assessment of a credit institution which has a significant branch on an individual or consolidated basis in accordance with Article 98, paragraph (1) and Article 99, paragraph (1) of this Act and, where applicable, the risk assessment referred to in Article 141, paragraphs (2) and (3) of this Act;

2) decisions on imposed supervisory measures referred to in Articles 105 and 110 of this Act in so far as those assessments are relevant to that branch; and

3) decisions regarding internal model validation in so far as those decisions are relevant for that branch.

(7) The Croatian National Bank shall consult the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established about operational steps required by liquidity recovery plans, where relevant for liquidity risk in the host Member State's currency.

Establishment of a college of supervisors for significant branches

Article 158

(1) Where a college of supervisors referred to in Article 140 of this Act has not been established and a credit institution having its head office in the Republic of Croatia has significant branches in other Member States, the Croatian National Bank shall establish and chair a college of supervisors to facilitate the cooperation under Article 119 and the exchange of information referred to in Article 145, paragraph (6), items (3) and (4) of this Act.

(2) The establishment and functioning of the college referred to in paragraph (1) of this Article shall be based on written arrangements determined, after consulting the competent authorities concerned, by the Croatian National Bank. The Croatian National Bank shall decide which competent authorities participate in a meeting or in an activity of the college, taking account of the potential impact of the supervisory activities to be planned on the stability of the financial system in the Member States concerned and obligations referred to in Article 157 of this Act.

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

CHAPTER XI
SUPERVISION FEES

Annual supervision fees

Article 159

(1) For exercising the supervision referred to in this Chapter, credit institutions with head offices in the Republic of Croatia, parent financial holding companies and parent mixed financial holding companies authorised under this Act as well as branches established by credit institutions with head offices outside the Republic of Croatia shall pay supervision fees to the Croatian National Bank.

(2) The Croatian National Bank shall regulate the amount, the basis for and the method of calculating and paying supervision fees referred to in paragraph (1) of this Article in subordinate legislation.

TITLE XII
COOPERATION WITH COMPETENT AUTHORITIES AND EXCHANGE OF INFORMATION

Cooperation between the competent and supervisory authorities of the Republic of Croatia

Article 160

(1) The Croatian National Bank, the Croatian Financial Services Supervisory Agency and supervisory authorities in the Republic of Croatia shall, at the request of an individual competent authority, deliver to that authority all information on a credit or financial institution necessary for the exercise of supervisory and oversight tasks with regard to the credit or financial institution, in authorisation or approval procedures, or when deciding on other specific applications or requests within their competence.

(2) The authorities referred to in paragraph (1) of this Article shall notify each other of revocation of authorisations, illegalities and irregularities identified in the course of supervision and oversight and of imposed measures for their elimination if such findings and imposed measures are relevant for the operation of the other authority.

(3) Where authorities other than the competent authority have resolution powers, the Croatian National Bank and those other authorities shall cooperate closely and consult each other in the preparation of the resolution plan, as well as in all other situations in which this Act and the national regulations transposing Directive 2013/36/EU, Directive 2014/59/EU or Regulation (EU) No 575/2013 require cooperation and consultation between them.

TITLE XIII
DUTY TO PROTECT THE CONFIDENTIALITY OF INFORMATION

Duty to protect the confidentiality of information

Article 161

(1) Employees of the Croatian National Bank, certified auditors or other experts who work or have worked under the authorisation of the Croatian National Bank shall be bound by the duty to protect the confidentiality of all information relating to the supervision of credit institutions of which they become aware in the course of work on behalf of the Croatian National Bank.

(2) The persons referred to in paragraph (1) of this Article shall not divulge confidential information to any person or government body whatsoever, except in summary or aggregate form, such that individual credit institutions cannot be identified.

(3) Croatian National Bank shall be bound by the duty to protect the confidentiality of all information relating to the supervision of credit institutions of which it becomes aware in the course of supervision or other activities referred to in this Act.

(4) The duty to protect the confidentiality of information referred to in paragraphs (1) to (3) of this Article shall not refer to:

1) the delivery of confidential information on own initiative to the competent court, the competent State Attorney's Office, the Office for the Prevention of Corruption and Organised Crime, the European Public Prosecutor's Office, the Ministry of the Interior, the Ministry of Finance – Office for the Prevention of Money Laundering or the competent authority of another Member State for the purpose of reporting, preventing, uncovering or investigating criminal offences and conducting the criminal or preliminary proceedings.

2) the delivery of confidential information divulged for the purposes of the State Attorney's Office of the Republic of Croatia and the delivery of confidential information to the Office for the Prevention of Corruption and Organised Crime and to the Ministry of the Interior in the criminal or preliminary proceedings, where ordered in writing by the State Attorney's Office of the Republic of Croatia, by the competent court or by the competent authority of another Member State;

3) the delivery of confidential information to tax authorities in accordance with tax regulations;

4) the delivery of confidential information in cases where compulsory winding-up proceedings have been initiated against a credit institution or in related court proceedings, with the exception of those concerning natural or legal persons involved in attempts to reorganise that credit institution;

5) meeting the requests of the European Parliament based on the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

(5) The duty to protect the confidentiality of information referred to in paragraph (1) of this Article shall not prevent the Croatian National Bank from doing the following:

1) exchanging information with competent authorities or communicating information to the European Banking Authority, the European Systemic Risk Board or the European Securities and Markets Authority in accordance with this Act, Regulation (EU) No 575/2013, Regulation (EU) 2019/2033 and other relevant regulations of the European Union.

2) making public disclosures as referred to in Article 172 of this Act;

3) communicating the results of stress tests carried out in accordance with Article 98, paragraph (7) of this Act or Article 32 of Regulation (EU) No 1093/2010.

(6) The exchange of information referred to in paragraph (5) of this Article shall be subject to the duty to protect the confidentiality of information referred to in paragraphs (1) to (3) of this Article.

Use of confidential information by the Croatian National Bank

Article 162

The Croatian National Bank may use confidential information of which it becomes aware in the course of supervision or other activities referred to in this Act for the following purposes only:

1) to check that the conditions governing the granting of authorisations or approvals on which it decides pursuant to this Act are met;

2) to exercise supervision of credit institutions and perform other supervisory activities, on an individual and/or consolidated basis, in particular with regard to the monitoring of liquidity, solvency, large exposures, administrative and accounting procedures, and internal control mechanisms, as well as to impose supervisory measures and early intervention measures;

3) to exercise its resolution powers;

4) in misdemeanour proceedings;

5) in the procedure of imposing administrative sanctions, administrative measures and periodic penalty payments;

6) in processing the notification on the breach of applicable regulations;

7) in administrative court proceedings against decisions of the Croatian National Bank;

8) in other court proceedings related to breaches of the regulations of the European Union governing the operation of credit institutions; or

9) to meet the requests of the European Parliament based on the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

Exchange of information between authorities

Article 163

(1) By way of derogation from Articles 161 and 162 of this Act, the Croatian National Bank may exchange confidential information with the following persons in the Republic of Croatia or in the Member States for the purpose of exercising supervision, oversight and other activities for which they are responsible:

1) authorities responsible for the supervision of credit institutions and investment firms and other authorities responsible for the supervision of financial sector entities and financial market entities;

2) authorities responsible for maintaining financial stability through the use of macroprudential regulations;

3) authorities carrying out reorganisation measures, as defined in the regulation governing compulsory winding-up of credit institutions, or authorities aiming to maintain financial stability;

4) courts and other bodies or legal persons responsible for the operations involved in the winding-up of credit institutions and in other similar proceedings for the purpose of performing their duties under law;

5) auditors responsible for carrying out audits of credit and financial institutions, and insurance undertakings, for the purpose of performing their duties under law;

6) contractual or institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

7) bodies which administer deposit insurance schemes and investor compensation schemes;

8) resolution authorities and the Ministry of Finance pursuant to the Act on the Resolution of Credit Institutions and Investment Firms;

9) authorities responsible for supervising credit and financial institutions subject to the application of regulations governing the prevention of money laundering and terrorist financing for compliance with those regulations;

10) financial intelligence units pursuant to regulations governing the prevention of money laundering and terrorist financing;

11) authorities responsible for the application of rules governing the structural separation within a banking group; and

12) with tax authorities in the Republic of Croatia and, when information originates from another Member State, with the express agreement of the competent authorities which disclosed the information;

(2) Persons to whom the Croatian National Bank delivers confidential information in accordance with paragraph (1) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 161 of this Act.

Exchange of information with oversight authorities

Article 164

(1) By way of derogation from the provisions of Articles 161, 162 and 168 of this Act and by way of derogation from the provisions by which Articles 53, 54 and 55 of Directive 2013/36/EU have been transposed into the national law, the Croatian National Bank shall exchange confidential information with the authorities in the Republic of Croatia or other Member States responsible for supervising:

1) the authorities involved in the winding-up of credit institutions and in other similar proceedings;

2) contractual or institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

3) auditors responsible for carrying out audits of credit institutions, insurance undertakings and financial institutions.

(2) The Croatian National Bank shall exchange confidential information with the authorities referred to in paragraph (1) of this Article if the following conditions are met:

1) the information is provided only for the purpose of performing the oversight tasks of these authorities;

2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 161, paragraphs (1) to (3) of this Act; and

3) the information that originates from another Member State shall not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and then solely for the purposes for which those authorities gave their agreement.

(3) By way of derogation from the provisions of Articles 161, 162 and 168 of this Act and by way of derogation from the provisions by which Articles 53, 54 and 55 of Directive 2013/36/EU have been transposed into the national law, the Croatian National Bank may, with the aim of strengthening the stability and safeguarding the integrity of the financial system, exchange information with other competent authorities and institutions in the Republic of Croatia and the Member States which are responsible under law for procedures connected to breaches of company law where requested or ordered in writing by the competent court. The Croatian National Bank shall disclose confidential information to these authorities if the following conditions are met:

1) the information is divulged only in connection to breaches of company law;

2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 161, paragraphs (1) to (3) of this Act; and

3) the information that originates from another Member State shall not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and then solely for the purpose for which those authorities gave their agreement.

(4) Where the authorities referred to in paragraph (1) of this Article perform their tasks with the aid of persons not employed in the public sector, the Croatian National Bank may exchange the information referred to in paragraph (3) of this Article with such persons under the conditions specified in paragraph (3) of this Article.

(5) The authorities and bodies referred to in paragraph (3) of this Article shall communicate to the Croatian National Bank the names and precise responsibilities of the persons to whom it is to be sent.

(6) The Croatian National Bank shall notify the European Banking Authority of the names of authorities which may receive information from the Croatian National Bank pursuant to this Article.

Exchange of information concerning monetary policy, deposit insurance, systemic risk and payment system aspects

Article 165

(1) The Croatian National Bank shall communicate confidential information to the following authorities or bodies in the Republic of Croatia or in other Member States for the purposes of their tasks:

1) central banks of the European System of Central Banks and other bodies with a similar function in their capacity as monetary authorities, when this confidential information is relevant for the exercise of their respective statutory tasks, including the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems and the safeguarding of stability of the financial system, and in particular in emergency situations referred to in Article 143 of this Act, when this information must be communicated without delay;

2) contractual and institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

3) other public authorities responsible for overseeing payment systems; and

4) the European Systemic Risk Board, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, where the information is relevant for the exercise of their tasks under Regulations (EU) No 1092/2010, (EU) No 1094/2010 or (EU) No 1095/2010.

(2) The Croatian National Bank may request information from the authorities or bodies referred to in paragraph (1) of this Article when such information is necessary for the purpose of exercising supervision or other activities within its competence in accordance with Article 162 of this Act.

(3) The persons referred to in this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 161, paragraphs (1) to (3) of this Act.

(4) In emergency situations referred to in Article 143 of this Act, the Croatian National Bank shall without delay communicate confidential information to:

1) central banks of the European System of Central Banks where necessary for the purposes of carrying out their tasks, including the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems and the safeguarding of stability of the financial system; and

2) the European Systemic Risk Board, where necessary for the purposes of carrying out its tasks.

Transmission of information to international bodies

Article 166

(1) By way of derogation from the provisions of Article 161, paragraphs (1) to (4) and Article 162 of this Act and by way of derogation from the provisions by which Article 53, paragraph (1) and Article 54 of Directive 2013/36/EU have been transposed into the national law of the Member States, the Croatian National Bank shall, at the request of the International Monetary Fund, for the purposes of carrying out its tasks, the World Bank, for the purposes of assessments for the Financial Sector Assessment Program, the Bank for International Settlements, for the purposes of quantitative impact studies or the Financial Stability Board, for the purposes of its surveillance function, submit aggregate or such information that individual credit institutions cannot be identified, where the following conditions are met:

1) the request is duly justified because it was made for the purpose of performing the conferred statutory mandate;

2) the request is sufficiently precise as to the nature, scope and format of the required information, and the means of its disclosure or transmission;

3) the requested information is strictly necessary for the performance of the specific tasks of the requesting body and does not go beyond its statutory tasks;

4) the information is transmitted or disclosed exclusively to the persons directly involved in the performance of the tasks for the purpose of which the data are submitted; and

5) the persons having access to the information are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 161 of this Act.

(2) Where by the request referred to in paragraph (1) of this Article other information is requested, different than the one specified in that paragraph, the Croatian National Bank may only make other information available at its premises.

(3) Where the disclosure of information under the request referred to in this Article involves processing of personal data, the requesting body shall comply with the requirements laid down in the regulations governing personal data protection.

Exchange of information with other entities

Article 167

(1) By way of derogation from the provisions of Article 161, paragraphs (1) to (4) and Article 162 of this Act and by way of derogation from the provisions by which Article 53, paragraph (1) and Article 54 of Directive 2013/36/EU have been transposed into the national law of the Member States, the Croatian National

Bank may communicate confidential information to the ministry responsible for finance or other government bodies responsible for proposing and overseeing the application of legislation on the supervision of credit institutions, financial institutions, investment firms and insurance undertakings where necessary for the purpose of exercising prudential supervision within their competence, and for the implementation of precautionary and resolution actions for failing credit institutions.

(2) In an emergency situation as referred to in Article 143, paragraph (1) of this Act, the Croatian National Bank shall communicate information which is relevant to the entities referred to in paragraph (1) of this Article from all Member States concerned.

(3) The Croatian National Bank may communicate confidential information relating to the prudential supervision to enquiry committees of the Croatian Parliament, the State Audit Office, and other entities in charge of enquiries if all the following conditions are met:

1) that the entities have a precise mandate under national law to investigate or scrutinise the actions of the Croatian National Bank in the exercise of supervision of credit institutions or the implementation of regulations governing supervision;

2) that the information is strictly necessary for fulfilling the mandate of these entities;

3) that employees or members of the entities having access to the confidential information are subject to the duty to protect the confidentiality of information which is at least equivalent to the duty to protect the confidentiality of information referred to in Article 161, paragraphs (1) and (2) of this Act;

4) where the confidential information originates from the competent authorities of another Member State, it shall not be disclosed without the express agreement of the competent authorities which have disclosed it and then solely for the purpose for which it has been given.

(4) To the extent that the confidential information referred to in this Article involves personal data, any processing by the entities referred to in paragraph (3) of this Article shall comply with the regulation governing the protection of personal data.

(5) The Croatian National Bank shall not disclose information received in accordance with Articles 124 and 125, Article 161, paragraph (5) and Article 163 of this Act and information obtained in the course of an on-site inspection referred to in Articles 120 and 125 of this Act to the entities referred to in paragraphs (1) to (4) of this Article save with the express agreement of the competent authorities which disclosed the information or of the competent authorities of the Member State in which such an on-site inspection was carried out.

(6) The Croatian National Bank may communicate the confidential information referred to in Articles 161, 162 and 168 of this Act and the provisions by which Articles 53, 54 and 55 of Directive 2013/36/EU have been transposed into the national law to a clearing house which provides clearing and settlement services and is recognised under the national law governing the financial instruments market if the Croatian National Bank deems that it is necessary to communicate the information in order to ensure the proper functioning of those bodies in relation to defaults or potential defaults by market participants.

(7) The Croatian National Bank may disclose the information referred to in Article 161, paragraph (5) of this Article to the bodies referred to in paragraph (6) of this Article only with the express agreement of the competent authorities which have disclosed it.

(8) The bodies and persons referred to in paragraphs (1), (3) and (6) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 161, paragraphs (1) to (3) of this Act.

Cooperation with the competent authorities of third countries

Article 168

(1) The Croatian National Bank may conclude an agreement on the exchange of information with one or more competent authorities of third countries or persons from third countries whose position is equal to that of the persons referred to in Articles 163 and 164 of this Act for the purpose of exercising supervision, oversight or other activities for which they are responsible.

(2) The Croatian National Bank may also communicate confidential information to persons from third countries whose position is equal to that of the authorities and persons referred to in paragraph (1) of this Article if all of the following conditions are met:

1) it has concluded an agreement with such persons providing for the mutual exchange of information;

2) persons from a third country are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 161, paragraphs (1) to (3) of this Act;

3) the information delivered to persons and authorities referred to in paragraph (1) of this Article is to be used only for the purpose of exercising supervision, oversight or other activities for which they are responsible; and

4) where the confidential information originates from the competent authorities of another Member State, it shall only be disclosed with the express agreement of the competent authorities which have disclosed it and then solely for the purpose for which it has been given;

(3) The Croatian National Bank may communicate to the European Banking Authority information received from the authorities referred to in this Article.

Processing of personal data

Article 169

The processing of personal data carried out pursuant to this Act shall be subject to regulations governing the protection of personal data.

Notification to the European Union bodies

Article 170

(1) The Croatian National Bank shall notify the European Commission, the European Banking Authority, the European Banking Committee and other European Union bodies of all matters where so required by the *acquis communautaire*.

(2) Where the Croatian National Bank is the consolidating supervisor, it shall, in authorisation granting and withdrawal procedures, communicate to the other competent authorities concerned and the European Banking Authority all information on a group of credit institutions referred to in Article 16, paragraph (1), item (2), Article 181 and Article 175, paragraphs (4) to (6) of this Act, in particular on legal relationships in a group of credit institution and the governance and organisational structure of a group of credit institutions.

(3) The Croatian National Bank shall notify the European Central Bank of all procedures, decisions and other relevant circumstances material for exercising and performing supervisory powers and tasks by the European Central Bank referred to in Article 4 of Regulation (EU) No 1024/2013 and, in conjunction with this, of all imposed administrative sanctions, periodic penalty payments and administrative measures, legal remedies submitted and the course of the proceedings.

Exchange of information on penalties

Article 171

In accordance with the requirements on the duty to protect the confidentiality of information referred to in Article 161, paragraphs (1) to (3) of this Act, the Croatian National Bank shall notify the European Banking Authority of all imposed administrative sanctions and administrative measures, decisions in the misdemeanour proceedings and on legal remedies submitted in relation to these administrative sanctions, administrative measures and the misdemeanour proceedings as well as of the outcome of the proceedings.

Public disclosure by the Croatian National Bank

Article 172

(1) The Croatian National Bank shall publicly disclose the following information:

1) the texts of laws, decisions, instructions and general guidance adopted in the Republic of Croatia in the field of prudential regulation;

2) the manner of exercise of the options and discretions available in the regulations of the European Union governing the operation of credit institutions;

3) the general criteria and methodologies it uses in the supervision of credit institutions referred to in Article 99 of this Act and the criteria for applying the principle of proportionality as referred to in Article 98, paragraph (4) of this Act;

4) aggregate statistical data on key aspects of the implementation of the prudential framework which the Croatian National Bank collected pursuant to regulations, including the number and nature of supervisory measures imposed, on administrative sanctions and fines for breaches imposed as well as on misdemeanour penalties against which there is no appeal imposed for misdemeanours set out in this Act.

(2) The information referred to in paragraph (1) of this Article shall be disclosed in a way which allows for a meaningful comparison of the approaches adopted by the competent authorities of different Member States. Such information shall be updated regularly and accessible at the website of the Croatian National Bank.

(3) In addition to the information referred to in paragraph (1) of this Article, the Croatian National Bank may disclose other information within its competence.

(4) The Croatian National Bank shall publish on its website decisions on misdemeanour penalties against which there is no appeal imposed pursuant to this Act on credit institutions, responsible persons of credit

institutions and other persons by misdemeanour courts and other authorities responsible for misdemeanour proceedings, which have been adopted in the proceedings in which the Croatian National Bank acts as an authorised prosecutor.

(5) The Croatian National Bank shall publish on its website decisions on each administrative sanction imposed pursuant to this Act on credit institutions, responsible persons of credit institutions and other persons, which have been adopted in the procedure for imposing administrative sanctions.

(6) The decisions referred to in paragraphs (4) and (5) of this Article shall be published without undue delay, but after the person on whom the fine is imposed is informed thereof.

(7) Where an appeal has been lodged against a decision imposing a fine, the Croatian National Bank shall without delay publish any information on legal remedies submitted and the course of the proceedings.

(8) The Croatian National Bank may publish the decisions it adopts in the course of exercising its powers and shall accompany them with the decisions of the administrative court adopted with regard to appeals to these decisions.

(9) Data covered by banking secrecy pursuant to the provisions of this Act shall be excluded from the publications referred to in paragraphs (4) and (5) of this Article.

(10) The Croatian National Bank shall publish decisions on misdemeanour penalties against which there is no appeal and fines imposed on credit institutions, responsible persons of credit institutions and other persons on an anonymised basis in the following cases:

1) where the penalty is imposed on a natural person and, following an obligatory prior assessment, the Croatian National Bank found the publication of personal data to be disproportionate;

2) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;

3) where publication would cause, insofar as it can be determined, disproportionate damage to the credit institution, responsible person of the credit institution or other persons involved; or

4) where the legal consequences of rehabilitation have arisen.

(11) The information referred to in paragraphs (4), (5), (7) and (10) of this Article shall remain on the website for at least five years.

(12) By way of derogation from paragraph (6) of this Article, the Croatian National Bank may postpone the publication of the decision on a misdemeanour penalty against which there is no appeal or a fine imposed if it assesses that the circumstances referred to in paragraph (10) of this Article will cease to exist within a reasonable period of time.

(13) The Croatian National Bank, as a competent and designated authority pursuant to this Act, shall make accessible information referred to in paragraphs (4), (5), (7) and (10) of this Article, Article 244, paragraph (5) and Article 269, paragraphs (3) and (4) of this Act on the European single access point (ESAP), established pursuant to Regulation (EU) 2023/2859 of the European Parliament and of the Council of 13 December 2023 establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability (hereinafter referred to as: 'Regulation (EU) 2023/2859').

(14) The Croatian National Bank shall ensure that information referred to in paragraph 13 of this Article meets the following requirements:

1) it is submitted in a data extractable format, as defined in Article 2, item (3) of Regulation (EU) 2023/2859;

2) it is accompanied by the following metadata:

a) the names of the natural or legal person or the credit institution to which the information relates;

b) the identifier of the credit institution, as set out in Article 7, paragraph (4), item (b) of Regulation (EU) No 2023/2859;

c) it is the type of information complying with the classification in accordance with Article 7, paragraph (4), item (c) of Regulation (EU) No 2023/2859;

d) it is specified whether the information contains personal data

Specific requirements regarding disclosure by the Croatian National Bank

Article 173

(1) The Croatian National Bank shall publish the following information regarding exposure to transferred credit risk under Chapter 2 of Regulation (EU) 2017/2402:

1) the general criteria and methodologies adopted to review compliance with Chapter 2 of Regulation (EU) 2017/2402 and Article 270a of Regulation (EU) No 575/2013; and

2) a summary description of the findings of the supervisory review and evaluation process and a description of the measures imposed in cases of non-compliance with the provisions of Chapter 2 of

Regulation (EU) 2017/2402 and Article 270a of Regulation (EU) 575/2013, identified on an annual basis.

(2) Where the Croatian National Bank exercises the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country;

3) on an aggregate basis for the Republic of Croatia:

a) the total amount of own funds on the consolidated basis of parent credit institutions in the Republic of Croatia which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

b) the total capital ratio, on the consolidated basis, of parent credit institutions in the Republic of Croatia which benefit from the exercise of the discretion laid down in Article 7, paragraph

(3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country; and

c) the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 on the consolidated basis, of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

(3) Where the Croatian National Bank exercises the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country;

3) on an aggregate basis for the Republic of Croatia:

a) the total amount of own funds of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

b) the total capital ratio of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country; and

c) the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

TITLE XIV
SCOPE OF APPLICATION OF PRUDENTIAL REQUIREMENTS

Compliance with prudential requirements on an individual basis

Article 174

(1) Credit institutions with head offices in the Republic of Croatia shall comply with the following requirements on an individual basis:

1) Titles VI, VII and XV of this Act; and

2) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank.

(2) By way of derogation from paragraph (1) of this Article, a credit institution which is included in a group of credit institutions in the Republic of Croatia shall not be obliged to meet the requirements regarding

strategies and processes to assess the adequacy of internal capital referred to in Article 180 of this Act provided that in the Republic of Croatia it has a status of:

1) a parent credit institution; or

2) a credit institution which is a subsidiary of a parent credit institution with a head office in the Republic of Croatia, a parent financial holding company in a group of credit institutions in the Republic of Croatia or a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia.

(3) The obligation referred to in paragraph (1) of this Article regarding strategies and processes to assess the adequacy of internal capital referred to in Article 180 of this Act shall also apply to a credit institution that is under Article 19 of Regulation (EU) No 575/2013 excluded from a group of credit institutions in the RC.

Compliance with prudential requirements on a consolidated basis

Article 175

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant this Act or a designated entity referred to in Title X of this Act shall respectively comply with the following requirements on a consolidated and a sub-consolidated basis for its group of credit institutions in the RC:

1) Titles VI, VII and XV of this Act; and

2) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant this Act or a designated entity referred to in Title X of this Act shall respectively comply on a consolidated basis for its group of credit institutions in the RC with the requirements on processes to assess the adequacy of internal capital referred to in Article 180 of this Act in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No 575/2013.

(3) Where a subsidiary credit institution, a parent mixed financial holding company in a group of credit institutions in the RC or a parent financial holding company in a group of credit institutions in the RC is a parent of or holds a participation in another credit or financial institution, an UCITS management company or a pension company with a head office in a third country, it shall respectively comply with the requirements on processes to assess the adequacy of internal capital referred to in Article 180 of this Act on a sub-consolidated basis.

(4) A parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to this Act and their subsidiary undertakings in a group of credit institutions in the RC shall comply with the requirements on governance arrangements referred to in Title XV of this Act on the level of a group of credit institutions in the RC in order to ensure that the organisational structure, procedures and systems within the group of credit institutions are consistent and well-integrated and enable the collection of any data and information relevant for the purposes of supervision.

(5) A parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to this Act and their subsidiary undertakings in a group of credit institutions in the RC shall ensure that the organisational structure, procedures and systems within the group of credit institutions referred to in Title XV are consistent and well-integrated in their subsidiaries that are not subject to this Act, including those established in offshore financial centres so as to enable these subsidiaries to collect any data and information relevant for the purposes of supervision. Subsidiary undertakings that are not themselves subject to this Act shall comply with their sector-specific requirements on an individual basis.

(6) By way of derogation from paragraph (5) of this Article, obligations under Title XV of this Act, in the part related to third-country subsidiaries, shall not apply to a parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to this Act and their subsidiary undertakings in a group of credit institutions in the RC if they can demonstrate to the Croatian National Bank that the application of these requirements would be unlawful under the laws of the third country where the subsidiary is established.

Remuneration policies on a consolidated basis

Article 176

(1) By way of derogation from Article 175 of this Act, an RC parent credit institution or an EU parent credit institution having its head office in the RC, a parent financial holding company or a parent mixed financial holding company that have been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act shall not be required to apply on a consolidated basis the requirements referred to in Articles 192, paragraphs (1) to (3) and Articles 200 to 202 of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted under Article 200, paragraph (4) of this Act to either of the following:

1) subsidiary undertakings established in the Republic of Croatia or another Member State where they are subject to specific remuneration requirements in accordance with other European Union legal acts;

2) subsidiary undertakings established in a third country where they would be subject to specific remuneration requirements in accordance with other European Union legal acts if they were established in the European Union.

(2) Notwithstanding paragraphs (1) and (3) of this Article, an RC parent credit institution and an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act shall apply to those subsidiary undertakings the provisions on the ratio between the variable and fixed components of the total remuneration referred to in Article 201 of this Act on a consolidated basis.

(3) By way of derogation from paragraph (1) of this Article, an RC parent credit institution or an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that have been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act shall ensure that the requirements referred to in Article 192, paragraphs (1) to (3) and Articles 200 to 202 of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted under Article 200, paragraph (4) of this Act apply on an individual basis to staff members of subsidiaries that are not subject to this Act where the following conditions are met:

1) the subsidiary is an undertaking that provides the following investment services and activities:

a) execution of orders on behalf of clients;

b) trading for own account;

c) portfolio management;

d) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;

e) placing of financial instruments without a firm commitment basis; and

2) those staff members of subsidiaries perform professional activities that have a direct material impact on the risk profile or the business of the institutions within the group.

TITLE XV
GOVERNANCE ARRANGEMENTS

CHAPTER I
LIQUIDITY PRINCIPLE AND SOLVENCY PRINCIPLE AND CAPITAL ADEQUACY

Liquidity principle and solvency principle

Article 177

A credit institution shall operate so as to be able to meet its due and payable financial obligations at all times, in accordance with the liquidity principle, as well as to meet all of its obligations on an ongoing basis, in accordance with the solvency principle.

Capital adequacy

Article 178

A credit institution shall at all times ensure an amount of capital that is proportionate to the nature, scale and complexity of its activities as well as the risks to which it is or might be exposed to while providing services.

Permission to classify capital instruments and include interim or year-end profits in common equity tier 1 capital

Article 179

(1) A credit institution may classify capital instruments referred to in Articles 52 and 63 of Regulation (EU) No 575/2013 as additional tier 1 capital instruments or tier 2 capital instruments after it obtains the permission to classify capital instruments as additional tier 1 capital instruments or tier 2 capital instruments.

(2) The Croatian National Bank shall grant the permission referred to in paragraph (1) of this Article if the capital instrument meets all the prescribed requirements referred to in Regulation (EU) No 575/2013.

(3) A less significant supervised entity may include interim or year-end profits in common equity tier 1 capital if it has received a notification from the Croatian National Bank that the documentation delivered contains the data laid down in subordinate legislation referred to in paragraph (4) of this Article, in accordance with the prescribed procedure and conditions referred to in paragraph (4) of this Article.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the information and documentation to be delivered by a less significant supervised entity together with the application for the permission referred to in paragraph (2) of this Article and the application for the permission referred to in Article 26, paragraph (3) of Regulation (EU) No 575/2013, the information and documentation to be delivered by a less significant supervised entity together with the notification of subsequent issuance of a form of common equity tier 1 capital instruments for which it has already received the permission in accordance with the second subparagraph of Article 26, paragraph (3) of Regulation (EU) No 575/2013 and the deadline for the delivery of the notification prior to classifying the instrument as common equity tier 1 capital instrument, the procedure and conditions under which a less significant supervised entity is allowed to include interim or year-end profits in common equity tier 1 capital in accordance with Article 26, paragraph (2) of Regulation (EU) No 575/2013 and the information and documentation to be delivered by a less significant supervised entity with regard to including interim or year-end profits in common equity tier 1 capital in accordance with Article 26, paragraph (2) of Regulation (EU) No 575/2013.

Strategies and processes to assess the adequacy of internal capital

Article 180

(1) Credit institutions shall have in place and implement sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital.

(2) Internal capital means the capital that credit institutions consider adequate to cover the nature and level of the risks to which they are or might be exposed in its operation.

(3) When assessing the internal capital it considers adequate to cover ESG risk, a credit institution shall consider the short-, medium- and long-term.

(4) Credit institutions shall regularly review the strategies and processes referred to in paragraph (1) of this Article to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities they carry out.

(5) The Croatian National Bank shall adopt subordinate legislation to regulate the assessment processes, the method of and time limits for reporting to the Croatian National Bank on the adequacy of a credit institution's internal capital and the internal capital calculation on an individual and consolidated basis.

CHAPTER II
GOVERNANCE ARRANGEMENTS

Governance arrangements

Article 181

(1) A credit institution shall establish and implement effective and sound governance arrangements that are proportionate to the nature, scale and complexity of its activities and the risks inherent in its business model, including:

1) a clear organisational structure with well-defined, transparent and consistent lines of responsibility and accountability within the credit institution;

2) an effective management of all risks to which the credit institution is or might be exposed in its operation, including ESG risk in short-, medium- and long-term, as well as concentration risk arising from exposures towards central counterparties, taking into account the conditions set out in Article 7a of Regulation (EU) No 648/2012;

3) adequate internal control mechanisms, including sound administrative and accounting procedures;

4) gender neutral remuneration policies and practices that are consistent with and promote sound and effective risk management, taking into account the credit institution’s risk appetite in terms of ESG risk and their application; and

5) appropriate network and information systems that are set up and managed in accordance with Regulation (EU) 2022/2554.

CHAPTER III
RISK MANAGEMENT SYSTEM

Risk management

Article 182

(1) For the purposes of this Act, risk management means a set of procedures and methods to identify, measure, evaluate, manage and monitor risks, including reporting on the risks to which a credit institution is or might be exposed in its operation.

(2) A credit institution shall establish a risk management system which covers credit risk, concentration risk, securitisation risks, residual risk, market risks, operational risk, liquidity risk, interest rate risk in the non-trading book activities, risk of excessive leverage, ESG risk, the risk arising from exposure to crypto-assets, ICT risk and other risks to which the credit institution is or might be exposed in its operation.

(3) A credit institution shall ensure that adequate resources are allocated to the management of all material risks, including an adequate number of employees possessing the necessary knowledge and experience to be involved in risk management, and for the valuation of assets, the use of external credit ratings and internal models related to those risks.

(4) A credit institution shall establish adequate reporting lines to the management and supervisory board that cover all material risks and risk management policies and changes thereof.

(5) In order to consistently apply risk management strategies and policies, a credit institution shall establish and apply consistently over time adequate administrative, accounting and other procedures as well as an effective internal control mechanism, at a minimum for:

1) calculating and monitoring capital requirements in relation to these risks; and

2) identifying and monitoring large exposures and their subsequent changes, and for monitoring compliance of those large exposures with the credit institution's own large exposure policies.

(6) A credit institution shall consistently implement internal systems, use the standardised methodology or the simplified standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

(7) The standardised methodology or the simplified standardised methodology shall be determined by a regulatory technical standard adopted by the European Commission.

(8) A credit institution shall implement internal systems to assess and monitor the risks arising from potential changes in credit spreads that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

(9) The Croatian National Bank shall adopt subordinate legislation to specify the requirements on governance arrangements, at a minimum:

1) regarding risk management rules:

a) general risk management rules;

b) credit risk management rules;

c) rules for the management of market risks;

d) rules on the management of the interest rate risk arising from non-trading book activities;

e) liquidity risk management rules;

f) operational risk management rules;

g) ESG risk management rules;

h) provisions for managing the internal process of identifying groups of connected clients and provisions for determination of the connection criteria for exposures to central government;

i) rules on the management of the risks arising from exposure to shadow banking entities;

j) rules on the management of other risks;

2) regarding monitoring of credit risk-bearing portfolios:

a) criteria for the classification of a credit institution’s credit risk exposures;

b) the method of determining losses arising from credit risk;

c) the method of determining value adjustments, impairment of on-balance sheet items and provisions for off-balance sheet items;

d) rating of instruments of collateral for receivables; and

e) keeping of credit records;

3) provisions for litigation costs and legal risk;

4) regarding limits on holdings of tangible assets:

a) the method of assessing and including individual holdings in the calculation of limits on holdings of tangible assets;

b) the method of calculating limits on holdings;

5) regarding managing third-party risk, including outsourcing:

a) the method of managing third-party risk, including outsourcing;

b) conditions for concluding contracts with third parties, including outsourcing;

c) the content of information, the form and maintenance of the register of contracts with third parties;

d) the content of information and documentation on managing third-party risk, including outsourcing, delivered to the Croatian National Bank;

6) regarding reporting to the Croatian National Bank on items 2 to 5 of this paragraph;

a) the content of reports and notifications;

b) time limits for and the method of reporting;

7) regarding exposures to persons in a special relationship referred to in Article 205 of this Act, the content of reports and time limits for and the method of reporting.

Competence of the management body

Article 183

(1) For the purpose of establishing and implementing an effective and sound risk management system, a credit institution's management board shall:

1) approve and, at least every two years, review the credit institution’s strategic objectives and strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and in relation to the status of its business cycle as well as the risks resulting from current, short-, medium- and long-term impacts of ESG factors;

2) devote sufficient time to consideration of risk issues;

3) be actively involved in managing all material risks governed by this Act and Regulation (EU) No 575/2013 as well as in the valuation of assets and the use of external credit ratings and internal models related to those risks, and ensure that adequate resources are allocated for those purposes;

4) develop and monitor the implementation of specific plans, quantifiable targets and processes for the monitoring and addressing of financial risks arising from short-, medium- and long-term ESG factors, including those arising from the process of adjustment and the transition trends towards the applicable regulatory goals of the Republic of Croatia and the European Union and legal acts in relation to ESG factors, in particular those set out in Regulation (EU) 2021/1119 (European Climate Act) and, where applicable, goals and regulations of third countries; and

5) develop specific plans and quantifiable targets in accordance with the requirements laid down in Article 7a of Regulation (EU) No 648/2012 for the purpose of monitoring and eliminating the concentration risk arising from exposures towards central counterparties offering services of substantial systemic importance for the European Union or one or more of its Member States.

(2) For the purpose of establishing and implementing an effective and sound risk management system, the credit institution's supervisory board shall:

1) at least every two years review and grant approval to the management board for the credit institution’s strategic objectives and strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and in relation to the status of its business cycle as well as the risks resulting from current, short-, medium- and long-term impacts of ESG factors;

2) devote sufficient time to consideration of risk issues;

3) oversee and monitor the management of all material risks governed by this Act and Regulation (EU) No 575/2013 as well as the valuation of assets and the use of external credit ratings and internal models related to those risks, and oversee whether adequate resources are allocated for those purposes;

4) oversee the implementation of specific plans, quantifiable targets and procedures for the monitoring and managing of financial risks arising from short-, medium- and long-term ESG factors, including those arising from the adjustment process and the trends of transitioning towards the applicable regulatory goals of the Republic of Croatia and the European Union and legal acts relating to ESG factors, in particular those set out in

Regulation (EU) 2021/1119 (European Climate Act) and, where applicable, goals and regulations of third countries;

5) oversee the implementation of specific plans and quantifiable targets in accordance with the requirements laid down in Article 7a of Regulation (EU) No 648/2012 for the purpose of monitoring and eliminating the concentration risk arising from exposures towards central counterparties offering services of substantial systemic importance for the European Union or one or more of its Member States; and

6) give approval to the management board for the credit institution's strategies and procedures for assessing the adequacy of internal capital.

Permissions of the Croatian National Bank for internal models

Article 184

(1) If notification of a planned change in an internal model is not required under Regulation (EU) No 575/2013 or regulations adopted under Regulation (EU) No 575/2013, a credit institution shall immediately notify the Croatian National Bank of the planned change in the internal model for which it was granted permission.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall assess whether the planned change requires amendments to the permission on the basis of the documentation delivered and any other available information.

(3) If notification of non-compliance with requirements is not required under Regulation (EU) No 575/2013 or regulations adopted under Regulation (EU) No 575/2013, a credit institution shall immediately notify the Croatian National Bank if it ceases to comply with the requirements for obtaining the permission and shall enclose:

1) evidence that the effect of non-compliance is immaterial; or

2) a plan for ensuring compliance with the requirements for obtaining permission.

Internal approaches for calculating own funds requirements

Article 185

(1) The Croatian National Bank shall encourage credit institutions that are not small and non-complex credit institutions, without prejudice to the fulfilment of the criteria laid down in Part Three, Title I, Chapter 3, Section 1 of Regulation (EU) No 575/2013, to take appropriate measures to develop internal credit risk assessment capacity and to use the internal ratings based approach for calculating own funds requirements for credit risk:

1) where their exposures are material in absolute terms, and

2) where they have at the same time a large number of material counterparties.

(2) The Croatian National Bank shall encourage credit institutions that are not small and non-complex credit institutions, without prejudice to the fulfilment of the criteria laid down in Part Three, Title IV, Chapter 1b of Regulation (EU) No 575/2013, to take appropriate measures to develop internal market risk assessment capacity and to develop and use internal models for calculating own funds requirements for specific risk of debt instruments in the trading book, together with internal models to calculate own funds requirements for default risk:

1) where their exposures are material in absolute terms, and

b) where they have a large number of material positions in equity or debt instruments of different issuers.

(3) Credit institution that is not a small and non-complex credit institution shall not rely solely on external credit ratings for assessing the creditworthiness of a client or financial instrument.

Supervisory benchmarking of approaches for calculating own funds requirements

Article 186

(1) A credit institution which is in accordance with Regulation (EU) No 575/2013 permitted to use internal approaches shall submit to the Croatian National Bank and to the European Banking Authority a report on the results of calculations for its exposures or positions that are included in the benchmark portfolios.

(2) A credit institution which uses the Alternative Standardised Approach referred to in Part Three, Title IV, Chapter 1a of Regulation (EU) No 575/2013, provided that the size of its on-and off-balance-sheet business that is subject to market risk is equal to or less than EUR 500 million in accordance with Article 325a, paragraph (1), item (b) of Regulation (EU) No 575/2013 shall submit a report to the Croatian National Bank and to the European Banking Authority on the results of calculations for its exposures or positions that are included in the benchmark portfolios.

(3) A credit institutions which is in accordance with Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013 permitted to use an internal approach or if as a relevant credit institution it applies the standardised approach in accordance with Part Three, Title II, Chapter 2 of Regulation (EU) No 575/2013 shall submit a report to the Croatian National Bank and to the European Banking Authority on the results of calculations of approaches applied for the purpose of determining the amounts of expected credit losses of its exposures or positions that are included in the benchmark portfolios, if any of the following conditions are met:

1) the credit institution prepares its financial statements in accordance with International Accounting Standards as applied under Regulation (EC) No 1606/2002;

2) the credit institution values its assets and off-balance sheet items and determines its own funds in accordance with International Accounting Standards pursuant to Article 24, paragraph (2) of Regulation (EU) No 575/2013;

3) the credit institution values its assets and off-balance sheet items in accordance with accounting standards pursuant to Council Directive 86/635/EEC and uses the expected credit loss model, which is equal to that used in International Accounting Standards as applied under Regulation (EC) No 1606/2002.

(4) A credit institution referred to in paragraphs (1), (2) or (3) of this Article shall in its report submit the results of its calculations, together with an explanation of the methodologies used to produce them and all qualitative information explaining the impact of these calculations on own funds requirements and shall submit these results to the Croatian National Bank and to the European Banking Authority at least annually.

(5) Based on the submitted reports referred to in this Article, the Croatian National Bank shall monitor the range of risk weighted exposure amounts or own funds requirements, as applicable, for the exposures or transactions in the benchmark portfolio, resulting from the approaches of credit institutions and shall make an assessment of the quality of those approaches at least at the same frequency as the European Banking Authority carries out the benchmarking of approaches for calculating own funds requirements, paying particular attention to the approaches that exhibit significant differences in own fund requirements for the same exposure, the approaches where there is particularly high or low diversity and the approaches where there is a significant and systematic under-estimation of own funds requirements.

(6) Where the Croatian National Bank identifies that the approaches related to the areas referred to in this Article used by a credit institution lead to an under-estimation of own funds requirements, which is not attributable to differences of the underlying risks of the exposures or positions, it shall impose necessary measures on that credit institution.

(7) The necessary measures referred to in paragraph (6) of this Article must comply with the objectives of the approach related to the areas referred to in this Article and therefore shall not:

1) lead to standardisation of approaches or to the use of preferred methods;

2) create wrong incentives; or

3) cause herd behaviour.

(8) The benchmark portfolio referred to in paragraphs (1) to (3) of this Article and the credit institution referred to in paragraph (3) of this Article shall be determined by a technical standard adopted by the European Commission.

CHAPTER IV
ORGANISATIONAL STRUCTURE

Organisational structure

Article 187

(1) A credit institution shall establish and monitor governance arrangements which ensure effective and prudent management of the credit institution, with well-defined transparent and consistent segregation of duties and accountability within the credit institution established so as to avoid conflicts of interest. The credit institution’s management board shall be responsible for the implementation of the organisational structure.

(2) A credit institution shall establish the structure referred to in paragraph (1) of this Article in a manner to:

1) enable an effective communication and cooperation at all organisational levels,

2) enable an appropriate information flow;

3) limit and prevent conflicts of interest; and

4) provide for a transparent and documented decision-making process.

(3) The credit institution’s management and supervisory boards shall be responsible within their powers for the overall operation of the credit institution, as follows:

1) the credit institution’s management board shall approve and oversee the implementation of the credit institution’s strategic objectives, risk strategy and internal governance; and

2) the credit institution’s supervisory board shall give approval for and oversee the implementation of the credit institution’s strategic objectives, risk strategy and internal governance.

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

1) ensure the integrity of the accounting and financial reporting systems, including financial and operational controls, and compliance with law and relevant standards;

2) regularly review and monitor the process of disclosure and communications; and

3) provide effective oversight of senior management.

(5) The credit institution’s supervisory board shall monitor the activities of the management board referred to in paragraph (4) of this Article.

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

(7) The credit institution shall in a timely manner identify the areas of operation which may give rise to potential conflicts of interest and it shall ensure that any form of conflict of interest is adequately prevented.

(8) The Croatian National Bank shall adopt subordinate legislation to regulate the requirements related to the credit institution’s organisational structure.

Duties and responsibilities of management board members

Article 188

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

1) professional rules and standards;

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

3) other regulations governing the operation of credit institutions.

(2) The credit institution’s management board shall *inter alia*:

1) ensure the implementation of supervisory measures imposed by the Croatian National Bank;

2) adopt the business policy of the credit institution.

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

Notification to the supervisory board

Article 189

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

1) the liquidity or solvency of the credit institution is jeopardised;

2) reasons for lapsing or withdrawal of authorisation or for withdrawal of authorisation to provide individual financial services arise;

3) the credit institution's financial position changes to the extent that any of its capital ratios fall below the level laid down in Article 92, paragraph (1) of Regulation (EU) No 575/2013 or Article 105, paragraph (1), item (1) of this Act;

4) other circumstances arise that are prescribed in subordinate legislation adopted by the Croatian National Bank pursuant to this Act; and

5) the Croatian National Bank or other supervisory authorities adopt any drafts and reports or take any measures against the credit institution within the scope of supervision or oversight.

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

1) their appointment to or removal from the supervisory body of another legal person; and

2) legal arrangements on the basis of which management board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which management board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold.

(3) The credit institution shall ensure that members of the supervisory board have adequate access to information required to exercise their powers, especially on the risk profile of the credit institution and, if necessary and appropriate, to the risk management function and to external expert advice.

(4) The supervisory board shall determine the nature, amount, format and frequency of the information referred to in paragraph (3) of this Article which it is to receive from appropriate functions, persons and organisational units of the credit institution.

Competence of the supervisory board

Article 190

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

1) to give approval to the management board for the credit institution's business policy;

2) to give approval to the management board for the credit institution's financial plan; and

3) to give approval to the management board for the bylaw on internal audit and the annual internal audit work plan.

Duties and responsibilities of supervisory board members

Article 191

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

1) give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures and inspection of the credit institution within 30 days of receipt of a document on inspection findings from the Croatian National Bank or an inspection report from other supervisory authorities;

2) oversee the adequacy of procedures and effectiveness of internal audit activities;

3) state their opinions on semi-annual internal audit reports;

4) immediately notify the Croatian National Bank of the following:

a) their appointment to or removal from the management or supervisory bodies of other legal persons; and

b) legal arrangements on the basis of which supervisory board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which the supervisory board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold;

5) oversee the implementation of the credit institution’s business policy;

6) adopt and review regularly the general principles of the remuneration policy and be responsible for overseeing its implementation;

7) ensure that remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and the related governance process.

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

Supervisory board committees

Article 192

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

(2) The supervisory board of a credit institution which is a small and non-complex credit institution shall not be obliged to establish a remuneration committee and a nomination committee.

(3) In the case referred to in paragraph (2) of this Article, the supervisory board shall perform the tasks referred to in Articles 193 and 195 of this Act.

(4) The supervisory board of a small and non-complex credit institution shall establish a risk committee or may combine a risk and an audit committee, provided that the members of the combined risk and audit committee have the knowledge, skills and expertise required for the members of both committees.

(5) Members of a risk committee, a nomination committee and a remuneration committee shall be appointed from the members of the credit institution's supervisory board.

(6) Each committee shall have at least three members, one of which shall be appointed the chairperson.

(7) The Croatian National Bank shall adopt subordinate legislation to regulate the tasks, method of organisation and operation of each committee referred to in this Article.

Nomination committee

Article 193

(1) The nomination committee shall:

1) identify and recommend candidates for management and supervisory board members and, having evaluated the balance of knowledge, skills, diversity and experience of the management body, prepare a description of the roles and capabilities required for the performance of duty of a member of the management board or the supervisory board and assess the time commitment expected;

2) decide on a target for the representation of the underrepresented gender in the management and supervisory boards and propose a strategy to increase the number of the underrepresented gender;

3) periodically, and at least annually, assess the structure, size, composition and performance of the management and supervisory boards and, if necessary, recommend changes;

4) periodically, and at least annually, assess the knowledge, skills and experience of individual members of the management and supervisory boards and of the management and supervisory boards collectively, and report to those boards accordingly;

5) periodically review the policy for selection of management and supervisory board members and for appointment of senior management, make recommendations to the management and supervisory boards, and, if necessary, recommend changes; and

6) to the extent possible and on an ongoing basis, ensure that the management and supervisory boards' decision making is not dominated by any one individual or small group of individuals, so as to protect the interests of the credit institution as a whole.

(2) The nomination committee shall be able to use any forms of resources that it considers to be appropriate, including external advice, and the credit institution shall ensure appropriate funding to that effect.

(3) The credit institution shall ensure that members of the nomination committee have adequate access to information required to exercise their powers, access to internal control functions and, where necessary, human resources management function, legal affairs function, strategic planning function and to external expert advice.

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

Risk committee

Article 194

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

(2) The risk committee shall in particular:

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

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

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

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

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

Remuneration committee

Article 195

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

(2) The remuneration committee shall prepare decisions of the management or supervisory board regarding remuneration, including those which have implications for the risk exposures and risk management of the credit institution concerned; and

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

(4) The credit institution shall ensure that members of the remuneration committee have adequate access to all data and information on the establishment, adoption, maintenance, review and verification of the implementation of remuneration policies and practices, access to internal control functions and, where necessary, human resources management function, legal affairs function, strategic planning function and to external expert advice.

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

CHAPTER V
INTERNAL CONTROL MECHANISM

Internal control mechanism

Article 196

(1) 'Internal control system' means a group of processes and procedures established for adequate risk control, monitoring the efficiency and effectiveness of a credit institution’s operation, reliability of its financial and other information, and compliance with regulations, internal bylaws, standards and codes in order to ensure the stability of the credit institution’s operation.

(2) A credit institution shall establish and implement effective internal control mechanisms in all areas of operation including at a minimum:

1) an appropriate organisational structure;

2) organisational culture;

3) establishment of the credit institution's internal control functions;

4) adequate control activities and the allocation of responsibilities;

5) appropriate internal controls integrated into the business processes and activities of the credit institution; and

6) appropriate administrative and accounting procedures.

Internal control functions

Article 197

(1) A credit institution shall, proportionally to its size and the nature, scale and complexity of its activities in accordance with its risk profile, establish permanent and effective internal control functions with adequate powers, independent from the business processes and activities in which a risk occurs or which are monitored and overseen by internal control functions.

(2) A credit institution shall establish three internal control functions:

1) a risk control function;

2) a compliance function; and

3) an internal audit function.

(3) A credit institution shall ensure that:

1) internal control functions check within the framework of their areas of competence, whether policies, processes and procedures which the credit institution established in order to set up and implement an efficient internal control mechanism are implemented correctly;

2) internal control functions ensure that all material risks to which the credit institution is or might be exposed are adequately identified, measured and reported;

3) each internal control function has a comprehensive overview of the scope of risks to which the credit institution is exposed.

(4) The management board of a credit institution shall adopt an internal bylaw on each internal control function, subject to the prior approval of the supervisory board.

(5) With an aim to establish and implement an adequate and efficient risk management system, a credit institution shall ensure that:

1) the risk management function is actively involved in elaborating the credit institution's risk strategy and adoption of all decisions on the management of material risks and has control of the implementation of the risk strategy;

2) the internal audit function performs an independent review of the implementation of the credit institution's risk strategy;

3) the compliance function assesses and mitigates compliance risk and ensures that the credit institution's risk strategy takes into account compliance risk and that compliance risk is adequately taken into account in all material risks management.

(6) A credit institution shall ensure that internal control functions are in place and carry out tasks in accordance with this Act and subordinate legislation adopted pursuant to this Act.

(7) A credit institution shall ensure internal control functions direct access and direct reporting to the supervisory board.

(8) The Croatian National Bank shall adopt subordinate legislation to regulate the content of an internal bylaw on each internal control function, the criteria to be met by the persons carrying out internal control function activities, the content and frequency of internal control function reports, the persons to whom such reports are delivered, the scope and method of operation of each individual function, the method in which a credit institution's management board and supervisory board review the appropriateness and effectiveness of the internal control functions in accordance with Article 187, paragraph (6) of this Act.

Organisational structure of internal control functions

Article 198

(1) A credit institution shall ensure that no individual internal control function is organised within another internal control function;

(2) By way of derogation from paragraph (1) of this Article, a small and non-complex credit institution may organise the performance of activities of the compliance function within the risk control function or a support function, but the activities of this function may not be organised within the internal audit function.

(3) A credit institution shall organise an internal audit function as a separate organisational unit, functionally and organisationally independent both from the activities it audits and from other organisational units of the credit institution.

(4) A credit institution shall establish internal control functions in a manner to avoid conflicts of interest.

(5) A credit institution shall not fully outsource its control functions.

(6) A credit institution may entrust the performance of a part of activities related to the internal control functions to service providers in accordance with this Chapter and regulations adopted under this Act.

Persons carrying out internal control functions

Article 199

(1) A credit institution shall, proportionally to its size and the nature, scale and complexity of its activities, for the carrying out of each internal control function ensure a sufficient number of persons with adequate knowledge and experience.

(2) A credit institution shall appoint the head of each internal control function as an independent member of senior management with distinct responsibility for the risk management function, compliance function or internal audit function, or in the case referred to in Article 198, paragraph (2) of this Act for that combined function.

(3) By way of derogation from paragraph (2) of this Article, a small and non-complex credit institution shall not be obliged to appoint the head of the risk management function or the compliance function and may

designate another senior person to carry out these internal control functions providing that there is no conflict of interest and that the head of the risk management function or the compliance function:

1) has the knowledge, skills and expertise required for the various areas concerned; and

2) has the time required to carry out these internal control functions.

(4) A credit institution shall ensure the independence of internal control functions from members of the management board or senior management and ensure them the opportunity to direct questions at or warn the supervisory board, as appropriate, or in the case of specific developments in the area of risks that affect or might affect the credit institution, without prejudice to the responsibilities of the management and supervisory boards under this Act and Regulation (EU) No 575/2013.

(5) Employees carrying out internal control function activities must be independent from the business units they monitor.

(6) A credit institution's management board may neither appoint nor remove the head of an individual internal control function without approval of the credit institution's supervisory board.

(7) A credit institution shall notify the Croatian National Bank without delay, and at the latest within three working days, of the appointment of the head of each internal control function and of the reasons for replacement of these persons.

(8) Authorities and bodies to which the head of an individual internal control function reports directly shall ensure that this person participates in the meetings of these authorities and bodies at which the person's reports are discussed.

(9) If the head of an individual internal control function in the carrying out of his activities identifies illegalities in the operation or violations of risk management rules or risk developments that jeopardise the liquidity, solvency or safety of the credit institution's operation, he shall immediately notify thereof the management board and the supervisory board of the credit institution and the Croatian National Bank.

(10) Credit institutions shall provide regular professional education and training for persons carrying out internal control function activities.

CHAPTER VI
REMUNERATION POLICIES

Remuneration policies

Article 200

(1) A credit institution shall establish and implement remuneration policies proportionally to its size, internal organisation and the nature, scope and complexity of its activities.

(2) The provisions on deferral of variable remuneration, award of variable remuneration in instruments and retention and payout of discretionary pension benefits in the form of instruments referred to in the subordinate legislation adopted under paragraph (4) of this Article shall not apply to:

1) a credit institution which is not a large credit institution; and

2) small remuneration of a credit institution's staff members.

(3) A credit institution that contracts the payment of variable remuneration contrary to the provisions of this Act or the provisions of subordinate legislation adopted under paragraph (4) of this Article shall not pay the contracted variable remuneration and such contractual provisions shall be null and void.

(4) The Croatian National Bank shall adopt subordinate legislation to regulate the rules, procedures and criteria regarding remuneration policies, the definition and type of staff remuneration, the requirements regarding staff remuneration and the method and criteria for the determination of identified staff as well as the scope of implementation of these requirements and the method of and time limits for reporting to the Croatian National Bank on staff remuneration.

Ratio between the variable and fixed components of total remuneration

Article 201

(1) Credit institutions shall set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component.

(2) By way of derogation from paragraph (1) of this Article, credit institutions may set the amount of the variable component of total remuneration at double the amount of a staff member's fixed component of total remuneration provided that all of the following conditions are met:

1) at the credit institution's general assembly, a decision has been adopted to approve the amount of variable remuneration based on the management board's proposal, which comprises the rationale for such decision, the number of staff members to which the decision relates and their functions as well as the expected impact of the decision on the maintenance of sound capital base;

2) shareholders holding at least 50% of the shares are represented at the general assembly and the decision referred to in item (1) of this paragraph is taken by the votes of shareholders representing at least 66 % of the shares of the credit institution of the shareholders represented at the general assembly or, failing that, decide by a majority of at least three quarters of the shares of the shareholders represented at the general assembly at the decision-making stage;

3) staff members for which a higher ratio between the variable and fixed components is requested have not participated in the voting on the decision referred to in item (1) of this paragraph;

4) the credit institution has notified all shareholders in advance that a decision on the higher ratio between the variable and fixed components is to be proposed at the general assembly;

5) the credit institution has notified the Croatian National Bank without delay, and no later than the date on which the general assembly is convened, that a decision on the higher ratio between the variable and fixed components is to be proposed at the general assembly. In the notification, the credit institution shall:

a) state the requested ratio between the variable and fixed components;

b) explain this ratio; and

c) demonstrate that the requested ratio would not exert a negative impact on the fulfilment of the credit institution's obligations under Regulation (EU) No 575/2013, this Act and subordinate legislation adopted under this Act, in particular on the maintenance of an adequate level of own funds.

(3) Credit institutions shall without delay, and at the latest within five working days after the date the general assembly was held, inform the Croatian National Bank of the decision adopted at the general assembly on the approved ratios between the variable and fixed components; in particular on:

1) the approved higher ratio between the variable and fixed components, including the specification of the higher ratio; and

2) the approved different higher ratios between the variable and fixed components, if different higher ratios are applied to different business units, internal control and other functions and different categories of identified staff, including the specification of the different higher ratios.

(4) The notification referred to in paragraph (3) of this Article shall include the following information:

1) total number of staff at the end of the last business year;

2) number of identified staff (outcome of the last identification process);

3) balance sheet total at the end of the last business year;

4) decision taken by the general assembly of the credit institution;

5) the ratio between the variable and fixed components it determined; and

6) where different ratios between the variable and fixed components within the credit institution were approved, the business areas and approved percentages as well as the maximum approved ratio.

(5) If a decision has been adopted at the credit institution's general assembly to approve the reduction of the previously determined higher maximum ratio between the variable and fixed components of total remuneration, such a decision shall be adopted by a majority of votes present at the general assembly. The credit institution shall inform the Croatian National Bank thereof within five working days after the date the general assembly was held.

Restrictions on the types and designs of instruments in which variable remuneration may be awarded

Article 202

To award variable remuneration, credit institutions may use the types of instruments in the form of ordinary shares of the credit institution which is their direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is their direct or indirect parent, only if the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself.

Benchmark remuneration trends

Article 203

(1) The Croatian National Bank shall collect information in accordance with Article 450, paragraph (1), items (g), (h), (i) and (k) of Regulation (EU) No 575/2013 and the data about the gender pay gap.

(2) The Croatian National Bank shall use the data referred to in paragraph (1) of this Article to detect benchmark remuneration trends and practices of credit institutions.

(3) The Croatian National Bank shall notify the European Banking Authority on the information it collects in accordance with this Article.

Benchmark remuneration trends related to diversity

Article 204

The Croatian National Bank shall collect information in accordance with Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013 and shall use it to establish benchmark remuneration trends and practices of credit institutions related to diversity of the management and supervisory boards.

(2) The Croatian National Bank shall notify the European Banking Authority on the information it collects in accordance with this Article.

CHAPTER VII
PERSONS IN A SPECIAL RELATIONSHIP WITH A CREDIT INSTITUTION

Persons in a special relationship with a credit institution

Article 205

(1) Persons in a special relationship with a credit institution to whom an exposure would be incurred or increased are:

1) the credit institution's shareholders owning 5% or more of shares with voting rights at the credit institution's general assembly;

2) the members of the credit institution's management and supervisory board and its procurators;

3) the head of the internal control function, the person responsible for corporate business, the person responsible for retail business, the person responsible for treasury operations and the authorised person responsible for the prevention of money laundering and terrorist financing in accordance with the regulation governing the prevention of money laundering and terrorist financing;

4) legal persons in which the credit institution holds a participation;

5) legal persons in which members of the credit institution's management board, supervisory board or its procurators have a qualifying holding or in which those persons can exercise significant influence;

6) legal persons in which members of the credit institution's management board, supervisory board or its procurators are members of senior management or members of the management board, supervisory board, board of directors or executive directors;

7) legal persons whose members of the management board, supervisory board, board of directors or executive directors or procurators are at the same time members of the credit institution's management or supervisory board or its procurators;

8) legal persons whose member of the management board owns 10% or more of shares with voting rights at the credit institution's general assembly;

9) the members of the management board, supervisory board or procurators of the undertaking which is, directly or indirectly, the credit institution's parent undertaking or the credit institution's subsidiary;

10) third persons acting for the account of persons referred to in items (1) to (9) of this paragraph in relation to the activities which would incur or increase the credit institution's exposure.

(2) Persons in a special relationship with a credit institution referred to in paragraph (1), items (1) to (9) of this Article shall also be:

1) persons connected with the persons referred to in paragraph (1), items (1) to (9) of this Article in the manner referred to in Article 3, paragraph (1), item (28) of this Act; and

2) immediate family members of natural persons referred to in paragraph (1), items (1) to (9) of this Article and legal persons in which this immediate family member holds a qualifying holding or in which he can exercise significant influence or holds a senior management position or is a member of the management body.

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

Deciding on arrangements with persons in a special relationship with a credit institution

Article 206

(1) A credit institution may conclude a legal arrangement with a person referred to in Article 205 of this Act only if such an arrangement is concluded under terms and conditions not more favourable than the credit institution's common terms and conditions.

(2) Each individual legal arrangement with a person referred to in Article 205 of this Act resulting in or increasing the total exposure of a credit institution that exceeds EUR 50,000.00 may be incurred only by a unanimous decision of all management board members and subject to prior approval of the supervisory board adopted by a unanimous decision of all supervisory board members.

(3) By way of derogation from paragraph (2) of this Article, a member of the management or supervisory board shall not take the vote on the approval of an exposure if the exposure is to be incurred towards the member or to persons connected to the member.

(4) By way of derogation from paragraph (2) of this Article, where the type of business or incurrence of certain exposures is such that this is the case of daily transactions or exposures for which individual prior unanimous decision of all management board members or prior approval of the supervisory board would seriously hinder the work process of the credit institution, the management board may, by a unanimous decision of all management board members and with prior approval of the supervisory board, grant a framework approval for multiple legal arrangements subject to the following conditions:

1) it relates to a specific person in a special relationship with the credit institution referred to in Article 205 of this Act, and not to all such persons in general; and

2) it is granted for a maximum period of six months from the adoption of the framework approval;

and a member of the management board or a member of the supervisory board may not take a vote on the approval of exposure if the exposure is to be incurred towards the member or to persons connected to the member.

(5) For the purposes of this Chapter, 'exposure' shall have the meaning as defined in Article 389 of Regulation (EU) No 575/2013.

(6) Paragraph (1) of this Article shall not apply to transactions with subsidiaries within the meaning of International Financial Reporting Standards adopted by Commission Regulation (EU) 2023/1803 of 13 September 2023 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 237, 26. 9.2023) if the company is directly or indirectly their sole member or if, no person unrelated to the company in those subsidiaries is a member, whether directly or indirectly, or if the subsidiaries have their registered offices in a European Union Member State, and their shares are admitted to trading on a regulated market situated or operating in a Member State within the meaning of Article 4, paragraph (1), item (21) of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12. 6. 2014), as last amended by Directive (EU) 2024/790 (OJ L 2024/790, 8. 3. 2024).

CHAPTER VIII
LARGE EXPOSURES

Definition of exposure

Article 207

For the purposes of this Chapter, 'exposure' shall have the meaning as defined in Article 389 of Regulation (EU) No 575/2013.

Limits to intragroup large exposures

Article 208

(1) The limit referred to in Article 395, paragraph (1) of Regulation (EU) No 575/2013 shall apply in the period referred to in Article 493, paragraph (3) of Regulation (EU) No 575/2013 to the exposure of a credit institution referred to in Article 493, paragraph (3), item (c) of Regulation (EU) No 575/2013, including participations or other kinds of holdings incurred by the credit institution to its parent undertaking, to other subsidiaries of that parent undertaking or to its own subsidiaries, in so far as those undertakings are covered by supervision on a consolidated basis, to which the credit institution itself is subject, in accordance with Title XI, Chapter IX of this Act, Regulation (EU) No 575/2013, regulations governing the operation of financial conglomerates or equivalent standards in force in the third country.

(2) The limit referred to in paragraph (1) shall not apply to a credit institution’s exposures to its own subsidiaries with head offices in the Republic of Croatia.

(3) For the purposes of calculating the exposure amount referred to in paragraph (1) of this Article, a credit institution shall apply credit risk mitigation techniques in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

Calculation of large exposures secured by immovable property

Article 209

In accordance with Article 402, paragraphs (1) and (2) of Regulation (EU) No 575/2013, for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) No 575/2013, a credit institution may not reduce the value of an exposure or any part of an exposure that is, in accordance with Article 125, paragraph (1) of Regulation (EU) No 575/2013, secured by residential property or, in accordance with Article 126, paragraph (1) of Regulation (EU) No 575/2013, by the pledged amount of the market value or mortgage lending value of the property concerned.

Prior approval of the supervisory board

Article 210

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

(2) Prior approval of a credit institution’s supervisory board shall also be required before concluding a legal arrangement as a result of which the credit institution's large exposure to a single person or group of connected clients would increase so as to reach or exceed 15%, 20%, and each additional 5% of the credit institution's tier 1 capital.

(3) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall ensure that for concluding a legal arrangement based on which the total exposure of a group of credit institutions in the RC might result in the large exposure of a group of credit institutions in the RC to a single person or group of connected clients of a member of the group of credit institutions in the RC obtains prior approval of its supervisory board.

(4) The obligation referred to in paragraph (3) of this Article shall also apply before concluding a legal arrangement as a result of which the large exposure of a group of credit institutions in the RC to a single person or group of connected clients would increase so as to reach or exceed 15%, or 20%, and each additional 5% of tier 1 capital of a group of credit institutions in the RC.

CHAPTER IX
HOLDINGS OF TANGIBLE ASSETS

Holdings of tangible assets

Article 211

(1) Credit institution's total holdings of tangible assets shall not exceed 40% of the credit institution's eligible capital.

(2) The holdings referred to in paragraph (1) of this Article shall not be holdings that a credit institution acquired in the first two years:

1) after acquisition, in exchange for its claims during the process of financial reconstruction;

2) in the process of the transfer of ownership of real estate which is the collateral for a consumer housing loan to a credit institution, executed in accordance with the law governing consumer housing loans;

3) in the course of bankruptcy or foreclosure proceedings; and

4) through the realisation of instruments of collateral for receivables in accordance with the law governing foreclosure.

TITLE XVI
REPORTING TO THE CROATIAN NATIONAL BANK

Reporting

Article 212

(1) A credit institution shall report to the Croatian National Bank the following without delay:

1) all facts to be entered in the register of companies and each submitted application for entry of data in the register of companies as well as all completed entries of data changes in the register of companies;

2) the announcement of its general assembly and the date on which it is to be held;

3) convening of its general assembly and all decisions adopted at the assembly;

4) all planned changes in the credit institution's initial capital of 10% or more;

5) the discontinuance of individual banking and/or financial services;

6) the liquidity or solvency of the credit institution is jeopardised;

7) reasons for lapsing or withdrawal of authorisation or for withdrawal of authorisation to provide individual financial services arise;

8) the credit institution’s own funds fall below the level laid down in Article 92 of Regulation (EU) No 575/2013 or below the level imposed by the Croatian National Bank under Articles 105, 107, 140 and 142 of this Act.

9) on becoming aware of the fact that natural or legal persons acquired a qualifying holding or that holders of a qualifying holding sold or otherwise disposed of their shares that caused the holding to exceed or fall below the threshold for which they obtained prior approval.

(2) In addition to the facts referred to in paragraph (1) of this Article, a credit institution shall submit reports about the following to the Croatian National Bank:

1) the credit institution's shareholders and persons connected with them holding 3% or more of shares with voting rights at the credit institution's general assembly;

2) the sale of placements; and

3) close links between the credit institution and other natural and legal persons.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the content of the reports referred to in paragraph (2), item (1) of this Article, along with time limits for and the method of reporting.

Reporting on shareholders

Article 213

Credit institutions whose shares are listed for trading on a regulated market shall, at least annually, inform the Croatian National Bank of the names of shareholders possessing qualifying holdings and the sizes of such holdings.

Reporting at the request of the Croatian National Bank

Article 214

At the request of the Croatian National Bank, a credit institution shall deliver reports, information and documentation on all matters relevant for the exercise of supervision or oversight and other tasks within the competence of the Croatian National Bank.

Delivery of information to the Croatian National Bank and their disclosure

Article 215

(1) Within the time limit referred to in Article 218, paragraph (1) of this Act, a credit institution shall deliver to the Croatian National Bank the following information relating to the preceding financial year for each Member State and third country:

1) name of the Member State and third country in which it provides services, banking and financial services it provides, the nature of its activities and their geographical location;

2) total turnover;

3) number of employees on a full time equivalent basis;

4) profit or loss before tax;

5) tax on profit or loss; and

6) public subsidies received.

(2) The information referred to in paragraph (1) of this Article shall be audited and published as attachment to the annual financial statements and, if prepared by the credit institution, annual consolidated financial statements.

(3) A credit institution shall disclose the information referred to in paragraph (1) of this Article specified by Member States and by third countries in which it provides services.

TITLE XVII
ACCOUNTING AND AUDIT

Keeping of business books and preparation of annual reports

Article 216

(1) A credit institution shall keep business books, other business documentation and records, evaluate assets and liabilities and prepare and publish annual reports in accordance with applicable regulations and professional standards.

(2) A credit institution shall keep business books and other business documentation and records in such a manner that it is possible to verify at all times whether the credit institution operates in accordance with applicable regulations and professional standards.

(3) Where an audit firm issues a qualified opinion, an adverse opinion or a disclaimer of an opinion, and the circumstances that have led to such an opinion can be rectified, a credit institution shall without delay notify the Croatian National Bank thereof, rectify such circumstances, prepare the annual financial statements or annual consolidated financial statements again and ensure the statutory audit of these statements within three months of receipt of the audit report.

(4) A credit institution shall publish the new audit report, including the relevant annual financial statements, and deliver it in the manner laid down for publication and delivery of the audit opinion within 15 days of the date of receipt of the new audit opinion.

Regulations on statements and reports

Article 217

(1) A credit institution, a branch of a credit institution from another Member State and a third-country branch shall deliver to the Croatian National Bank the financial statements and other reports in the form, scope and content provided for in the subordinate legislation adopted under this Article.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the form and content of the financial statements and other reports of a credit institution, a branch of a credit institution from another Member State and a third-country branch for the purposes of the Croatian National Bank as well as the method of and time limits for their delivery to the Croatian National Bank.

Delivery of statements and reports to the Croatian National Bank and their disclosure

Article 218

(1) A credit institution shall deliver to the Croatian National Bank the following reports within 15 days of receipt and at the latest within three months following the end of the business year to which the annual financial statements relate, in a machine-readable and open format:

1) annual and consolidated annual report, in accordance with the regulations governing entrepreneur accounting; and

2) an audit report for the purposes of the Croatian National Bank referred to in Article 224 of this Act.

(2) For the purpose of paragraph (1) of this Article, a business year is a business year in accordance with the regulations governing entrepreneur accounting.

(3) A credit institution shall publish its annual report in a machine-readable and open format on its website and make it available at the latest within four months following the end of the business year to which the report relates.

(4) A credit institution shall disclose in its annual report among the key indicators its return on assets, calculated as the net profit divided by the total balance sheet.

(5) A parent undertaking shall publish its consolidated annual report of a group as laid down in the regulations governing entrepreneur accounting in the manner and within the time limit referred to in paragraph (3) of this Article.

(6) A branch of a credit institution from another Member State or a third-country branch shall publish the audited annual financial statements and annual consolidated financial statements and the annual report of its founder, including the audit report, prepared and audited in accordance with the regulations of the country where the founder has its head office.

(7) A branch of a credit institution from another Member State or a third-country branch shall publish the reports referred to in paragraph (6) of this Article on its website, in the Croatian language, at the latest within 45 days of the expiry of the time limit for the disclosure of these reports in the country where the founder has its head office.

(8) A branch of a credit institution from another Member State or a third-country branch shall once a year publish on its website, in the Croatian language, information related to its operation, according to the structure and content provided for in the subordinate legislation adopted under this Article.

(9) The accuracy of the information referred to in paragraph (8) of this Article and its compliance with the annual financial statement must be verified by a certified auditor as defined in the law governing audit.

(10) A branch of a credit institution from another Member State or a third-country branch shall deliver the information referred to in paragraph (8) of this Article, including an opinion of a certified auditor referred to in paragraph (9) of this Article, to the Croatian National Bank within 15 days of the date of receipt of the opinion of a certified auditor and at the latest within four months following the end of the business year to which the reports relate.

(11) The Croatian National Bank shall adopt subordinate legislation to further regulate the structure and content of the information that a branch of a credit institution from another Member State or a third-country branch shall publish with regard to its operation.

Appointment of an audit firm

Article 219

(1) The credit institution's management board shall deliver a decision to appoint an audit firm to the Croatian National Bank within eight days of the adoption of the decision.

(2) A credit institution shall enter into a contract for the provision of statutory audit or audit for the purposes of the Croatian National Bank only with an audit firm that meets the conditions referred to in Article 220 of this Act.

(3) An audit firm shall, by 31 October of the current year, deliver to the Croatian National Bank an audit plan for the business year in question for each credit institution which has entrusted it with the statutory audit of the annual financial statements and/or annual consolidated financial statements (hereinafter referred to as: 'statutory audit'), indicating the areas of operation in which statutory audits will be carried out, the content of statutory audits planned by individual areas as well as the envisaged duration of statutory audits, the quantitative level of materiality applied to carrying out statutory audits and qualitative factors which were considered when setting the level of materiality.

Restrictions on statutory audits and audits for the purposes of the Croatian National Bank

Article 220

(1) A credit institution shall ensure that the same audit firm carries out its statutory audit for no more than ten consecutive years.

(2) An audit firm which has carried out the statutory audit of a particular credit institution for ten consecutive years shall not carry out the statutory audit of the same credit institution for the next four years.

(3) The statutory audit of a credit institution may be carried out only by the audit firm in which the audit is carried out by at least two certified auditors employed with the audit firm.

(4) The statutory audit of a credit institution and an audit for the purposes of the Croatian National Bank shall be carried out by the same audit firm.

(4) By way of derogation from paragraph (4) of this Article, and in the case referred to in Article 224, paragraph (4), item (2) of this Act, the statutory audit of a credit institution and an audit for the purposes of the Croatian National Bank may be carried out by two different audit firms.

Protection of certified auditor independence

Article 221

(1) In the event of the termination of a contract on the statutory audit, the credit institution and the audit firm shall, within an appropriate time limit, explain in writing the reasons for the termination of the contract to the Croatian National Bank, i.e. where the contract was terminated by one contractual party, explain the reasons for termination, and the other contractual party shall comment on the reasons for termination of the contract stipulated by the first party.

(2) The audit firm carrying out the statutory audit of a credit institution shall not directly or indirectly provide to the audited credit institution, its parent undertaking or undertakings under its control in the Member States or third countries any prohibited non-audit services referred to in Article 5, paragraph (1) of Regulation (EU) No 537/2014 in:

1) the period between the beginning of the period audited and the issuing of the audit report; and

2) the business year immediately preceding the period referred to in item (1) of this paragraph in relation to the services referred to in Article 5, paragraph (1), sub-paragraph (2), item (e) of Regulation (EU) No 537/2014.

Obligations of audit firms

Article 222

(1) An audit firm shall notify the Croatian National Bank in writing and without delay if it finds:

1) illegalities or facts and circumstances that could in any way jeopardise the ongoing functioning of the credit institution;

2) circumstances constituting the reasons for withdrawal of authorisation referred to in Article 18, paragraph (1) of this Act;

3) a material difference in the assessment of risks inherent in the credit institution's operation and the valuation of its on- and off-balance sheet items and profit and loss account items;

4) material breaches of internal bylaws;

5) major weaknesses in the organisation of internal control mechanisms or failures in the implementation of internal control mechanisms; and

6) facts that could result in a qualified opinion, an adverse opinion or a disclaimer of an opinion on the annual financial statements.

(2) An audit firm shall immediately notify the Croatian National Bank in writing of any of the facts referred to in paragraph (1) of this Article of which it becomes aware in the course of the statutory audit of the annual financial statements of an undertaking controlled by the credit institution.

(3) The delivery to the Croatian National Bank of the information referred to in paragraphs (1) and (2) of this Article shall not constitute a breach of the auditor's duty to protect the confidentiality of information arising under the law governing audits or arising under the contract.

(4) If an audit firm notifies the Croatian National Bank of the facts and circumstances referred to in paragraph (1) of this Article in accordance with paragraph (2) of this Article, it shall at the same time notify the credit institution's management board thereof, except where it deems that there are reasonable grounds to prevent such notification.

(5) If an audit firm fails to notify the Croatian National Bank of the facts referred to in paragraph (1) of this Article, the Croatian National Bank may order the credit institution to appoint a new audit firm.

(6) The Croatian National Bank shall notify the authority competent for the supervision of certified auditors and audit firms under the law governing audits of the fact referred to in paragraph (5) of this Article.

(7) The obligations of audit firms referred to in paragraphs (1) and (2) of this Article shall also relate to the period between the report on the financial position or the balance sheet and the date on which the publication of annual financial statements is approved.

Dismissal and refusal of annual financial statements

Article 223

(1) Where an audit firm carries out the statutory audit of a credit institution contrary to Article 220 of this Act, the Croatian National Bank shall dismiss the annual financial statements of the credit institution or the annual consolidated financial statements for the year in question.

(2) Where the Croatian National Bank determines that the annual financial statements and annual consolidated financial statements have been prepared contrary to regulations or that they fail to provide a true and fair view of the financial position and performance of a credit institution or a group that received an unqualified opinion in the audit report, it shall refuse the annual financial statements or annual consolidated financial statements.

(3) In the case referred to in paragraphs (1), (2) and (7) of this Article, the credit institution shall prepare its annual financial statements or annual consolidated financial statements again, ensure the statutory audit of these statements and deliver the audit report, including the relevant financial statements, to the Croatian National Bank within the time limit set in a decision by the Croatian National Bank.

(4) The new statutory audit shall not be carried out by the audit firm that issued an opinion on the annual financial statements or annual consolidated financial statements that were refused or dismissed.

(5) The consequence of the dismissal referred to in paragraphs (1) and (7) of this Article or the refusal referred to in paragraphs (2) and (7) of this Article shall be the dismissal of the assessment referred to in Article 224 of this Act. In that case the Croatian National Bank shall require from the credit institution that the assessment referred to in Article 224 of this Act be given by the certified auditors of another audit firm at the expense of the credit institution.

(6) The Croatian National Bank shall without delay, and at the latest within five working days, notify the authority competent for the supervision of certified auditors and audit firms under the law governing audit of the dismissal referred to in paragraph (1) of this Article or the refusal referred to in paragraph (2) of this Article, explaining the reasons for such dismissal or refusal.

(7) Where the authority competent for the supervision of certified auditors and audit firms under the law governing audit determines that the audit report fails to meet the requirements of the law governing audit and Regulation (EU) No 537/2014, the Croatian National Bank may refuse or dismiss the annual financial statements or the annual consolidated financial statements of the credit institution for which that person carried out the statutory audit.

(8) A credit institution shall not disclose the annual financial statements or the annual consolidated financial statements that have been refused or dismissed and shall ensure that the annual financial statements or the annual consolidated financial statements that have been refused or dismissed are not publicly disclosed.

(9) Where the annual financial statements or the annual consolidated financial statements that had been refused or dismissed have already been delivered for public disclosure to the Financial Agency or a regulated securities market, the credit institution shall without delay notify the Financial Agency and regulated securities markets where its securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been refused or dismissed by a decision of the Croatian National Bank. The credit institution shall without delay publish the same notification on its website.

(10) The Croatian National Bank shall adopt subordinate legislation to further regulate the reasons for the refusal of the annual financial statements or the annual consolidated financial statements of a credit institution.

Audit for the purposes of the Croatian National Bank

Article 224

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

1) compliance with risk management rules;

2) the operations of the risk control function, the compliance function and the internal audit function;

3) the state of digital operational resilience and the adequacy of ICT risk management, in accordance with Regulation (EU) 2022/2554;

4) the compliance of securitisations with the STS criteria provided for in Articles 19 to 22, Articles 23 to 26 or Articles 26(a) to 26(e) of Regulation (EU) 2017/2402, if the credit institution participates in such securitisation; and

5) the regularity, accuracy and completeness of the reports delivered to the Croatian National Bank.

(2) The assessment referred to in paragraph (1) of this Article shall be descriptive and fall within the range specified in the subordinate legislation referred to in paragraph (7) of this Article.

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

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

1) require the audit firm to correct or supplement the assessment; or

2) refuse the assessment and require the credit institution to obtain another assessment by a different audit firm at the expense of the credit institution.

(5) The refusal of the assessment referred to in paragraph (1) of this Article shall not result in the refusal of the annual financial statements or the annual consolidated financial statements for that year which received an unqualified or a qualified opinion in the audit report.

(6) The provisions of Articles 219 to 222 of this Act shall apply *mutatis mutandis* to audits referred to in this Article.

(7) The Croatian National Bank shall adopt subordinate legislation to further regulate the content of an audit for the purposes of the Croatian National Bank, the manner of issuing assessments and the range of assessments as well as the reasons for the refusal of the assessment referred to in paragraph (1) of this Article.

TITLE XVIII
MACROPRUDENTIAL FRAMEWORK

CHAPTER I
RESTRICTIONS ON DISPOSAL OF COMMON EQUITY TIER 1 CAPITAL

Restriction on disposal of common equity tier 1 capital

Article 225

(1) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

1) any of the requirements referred to in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;

2) the additional own funds requirements imposed by the Croatian National Bank pursuant to Article 105 of this Act to address risks other than the risk of excessive leverage; and

3) the guidance communicated to them by the Croatian National Bank in accordance with Article 108 of this Act to address risks other than the risk of excessive leverage.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet one of the elements of its combined buffer requirement to meet the other applicable elements of its combined buffer requirement.

(3) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

1) the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013;

2) the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013;

3) the minimum requirement for own funds and eligible liabilities imposed pursuant to the law governing the resolution of credit institutions and investment firms; or

4) the minimum requirement for own funds and eligible liabilities for resolution entities that are part of G-SIIs and material subsidiaries of non-EU G-SIIs.

CHAPTER II
CAPITAL CONSERVATION BUFFER

Capital conservation buffer

Article 226

(1) Credit institutions shall, in addition to common equity tier 1 capital maintained to meet all of the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 maintain a capital conservation buffer of common equity tier 1 capital equal to 2.5% of the total risk exposure amount on an individual and consolidated basis, as applicable in accordance with Part One, Title II of Regulation (EU) No 575/2013.

(2) Where a credit institution fails to meet the requirement under paragraph (1) of this Article, it shall apply the provisions of Article 250, paragraphs (2), (3) and (5), Article 255 and, where appropriate, Article 256 of this Act.

CHAPTER III
COUNTERCYCLICAL CAPITAL BUFFER

General provisions

Article 227

(1) Credit institutions shall maintain an institution-specific countercyclical capital buffer of common equity tier 1 capital equivalent to their total risk exposure amount multiplied by the specific countercyclical buffer rate referred to in Article 235 of this Act.

(2) Credit institutions shall maintain an institution-specific countercyclical capital buffer referred to in paragraph (1) of this Article on an individual basis and on a consolidated basis in the manner and in accordance with Part One, Title II of Regulation (EU) No 575/2013.

(3) Where a credit institution fails to meet the requirement referred to in paragraph (1) of this Article, it shall apply the provisions of Article 250, paragraphs (2), (3) and (5), Article 255 and, where appropriate, Article 256 of this Act.

Setting the countercyclical buffer rate

Article 228

(1) The Croatian National Bank shall be the designated authority responsible for setting the countercyclical buffer rate for the Republic of Croatia, i.e. the designated authority for the purposes of Article 136, paragraph (1) of Directive 2013/36/EU.

(2) The Croatian National Bank shall publish a decision on the countercyclical buffer rate in the Official Gazette.

(3) The Croatian National Bank shall calculate for every quarter a buffer guide as a reference to guide its exercise of judgement in setting the countercyclical buffer rate in accordance with paragraph (4) of this Article.

(4) The buffer guide referred to in paragraph (3) of this Article shall reflect, in a meaningful way, the credit cycle and the risks due to excess credit growth in the Republic of Croatia and shall duly take into account the specificities of the Croatian economy. The buffer guide shall be based on the deviation of the ratio of credit-to-GDP from its long-term trend, taking into account, inter alia:

1) an indicator of the growth of levels of credit in the Republic of Croatia and, in particular, an indicator reflective of the changes in the ratio of credit granted in the Republic of Croatia to GDP;

2) any current guidance maintained by the European Systemic Risk Board on the measurement and calculation of the deviation from long term trends of the ratios of credit-to-GDP and the calculation of buffer guides in accordance with Article 135, paragraph (1), item (b) of Directive 2013/36/EU.

(5) The Croatian National Bank shall assess the intensity of cyclical systemic risk and the appropriateness of the countercyclical buffer rate for the Republic of Croatia on a quarterly basis and set or adjust the countercyclical buffer rate, if necessary, taking into account:

1) the buffer guide referred to in paragraphs (3) and (4) of this Article;

2) any current guidance maintained by the European Systemic Risk Board on the recognition and setting of the countercyclical buffer rate and any recommendations issued by that board on the setting of the countercyclical buffer rate; and

3) other variables that the Croatian National Bank considers relevant for addressing cyclical systemic risk.

Level of the countercyclical buffer rate

Article 229

(1) The Croatian National Bank shall set the countercyclical buffer rate, expressed as a percentage of the total risk exposure amount, between 0% and 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount where this is justified on the basis of the assessment referred to in Article 228, paragraph (5) of this Act. This rate shall be applied for the calculation of the institution-specific countercyclical buffer rate in accordance with Article 235 of this Act.

Beginning of the application or increasing the countercyclical buffer rate

Article 230

(1) Where the Croatian National Bank sets the countercyclical buffer rate above 0% for the first time or where, thereafter, it increases the prevailing countercyclical buffer rate setting, it shall also decide on the date from which that increased buffer rate must be applied for the purposes of calculating the countercyclical capital buffer.

(2) The date of the beginning of the application referred to in paragraph (1) of this Article shall be no later than 12 months after the announcement referred to in Article 232 of this Act.

(3) By way of derogation from paragraph (2) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date of the beginning of application at less than 12 months after the increased buffer setting is announced in accordance with Article 232 of this Act.

Reduction or cancellation of the applied countercyclical buffer rate

Article 231

(1) If the Croatian National Bank reduces the existing countercyclical buffer rate or sets it at 0%, in the announcement referred to in Article 232 of this Act, it shall also determine the date of the beginning of application and an indicative period during which no increase in the buffer rate is expected.

(2) The indicative period referred to in paragraph (1) of this Article shall not bind the Croatian National Bank.

Announcement of the countercyclical buffer rate

Article 232

(1) The Croatian National Bank shall publish the decision referred to in Article 228, paragraph (5) of this Act in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the applicable countercyclical buffer rate;

2) the relevant credit-to-GDP-ratio and its deviation from the long-term trend;

3) the buffer guide referred to in Article 228, paragraphs (2) and (3) of this Act;

4) a justification for that countercyclical buffer rate;

5) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer;

6) where the date of the beginning of application referred to in item (5) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application; and

7) where the buffer rate is decreased, the indicative period during which no increase in the buffer rate is expected, together with a justification for that period.

(2) The Croatian National Bank shall take all reasonable steps to coordinate the timing of the announcement referred to in paragraph (1) of this Article with the timing of the announcements by designated authorities from other Member States.

(3) The Croatian National Bank shall notify each change of the countercyclical buffer rate and the information specified in paragraph (1) of this Article to the European Systemic Risk Board.

Recognition of the countercyclical buffer rate

Article 233

(1) Where a designated authority of another Member State or a relevant third-country authority has set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount, the Croatian National Bank may adopt a decision to recognise that buffer rate for the purposes of the calculation of the countercyclical capital buffer.

(2) Where the Croatian National Bank adopts a decision to recognise the rate referred to in paragraph (1) of this Article, it shall publish that decision in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the applicable countercyclical buffer rate;

2) the Member State or a third country to which the rate referred to in paragraph (1) of this Article applies;

3) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and

4) where the date of the beginning of application referred to in item (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.

(3) The decision referred to in paragraph (1) of this Article shall contain the countercyclical buffer rate, the Member State or third country to which that rate applies and the date of the beginning of application.

Deciding on third country countercyclical buffer rates

Article 234

(1) Where a countercyclical buffer rate has not been set and published by the relevant third-country authority, the Croatian National Bank may set a rate for the purposes of the calculation of the countercyclical capital buffer for credit institutions for exposures located in third countries.

(2) For the purposes of the calculation of the countercyclical capital buffer for credit institutions for exposures located in third countries, the Croatian National Bank may adopt a decision on a different countercyclical buffer rate for that third country from the one set and published by the relevant third-country authority if it reasonably considers that the buffer rate set by the relevant third-country authority is not appropriate to protect those credit institutions from the risks of excessive credit growth in that country.

(3) In the case referred to in paragraph (2) of this Article, the Croatian National Bank shall not set a countercyclical buffer rate below the level set by the relevant third-country authority unless that buffer rate exceeds 2.5%, expressed as a percentage of the total risk exposure amount.

(4) Where the Croatian National Bank sets a countercyclical buffer rate for a third country in accordance with paragraph (1) or (2) of this Article which increases the existing applicable countercyclical buffer rate set by

the relevant third-country authority, the Croatian National Bank shall decide on the date from which that buffer rate must be applied for the purposes of calculating the countercyclical capital buffer.

(5) The date of the beginning of application referred to in paragraph (4) of this Article shall be 12 months after the date when the increased countercyclical buffer rate is announced in accordance with paragraph (7) of this Article.

(6) By way of derogation from paragraph (5) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date of the beginning of application at less than 12 months after the increased countercyclical buffer rate is announced in accordance with paragraph (7) of this Article.

(7) The Croatian National Bank shall publish a decision on a countercyclical buffer rate for a third country set pursuant to paragraph (1) or (4) of this Article in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the countercyclical buffer rate and the third country to which it applies;

2) a justification for that buffer rate;

3) where the countercyclical buffer rate is set above 0% for the first time or is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and

4) where the date of the beginning of application referred to in item (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.

(8) The decision referred to in paragraph (7) of this Article shall contain the countercyclical buffer rate and the date from which it shall be applied.

(9) When recognising the countercyclical buffer rate referred to in Article 233 of this Act as well as when deciding on the level of the countercyclical buffer rate referred to in this Article, the Croatian National Bank shall take into account the recommendations of the European Systemic Risk Board.

Calculation of an institution-specific countercyclical buffer rate

Article 235

(1) A credit institution shall calculate the institution-specific countercyclical buffer rate as the weighted average of the countercyclical buffer rates that have been set and published for the Republic of Croatia, other Member States and third countries where the relevant credit exposures of the credit institution are located or are applied in accordance with Article 234 of this Act.

(2) For the purposes of paragraph (1) of this Article, a credit institution shall provide adequate records of applicable countercyclical buffer rates for countries where its relevant credit exposures are located and establish procedures for a regular updating of these records.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the institution-specific countercyclical buffer rate referred to in paragraph (1) of this Article.

Application of the countercyclical buffer rate in excess of 2.5%

Article 236

(1) If, in accordance with Article 229, paragraph (2) of this Act, the Croatian National Bank sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, credit institutions shall apply that countercyclical buffer rate to the relevant credit exposures located in the Republic of Croatia for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act.

(2) If a designated authority of another Member State sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act credit institutions shall apply the following to the relevant credit exposures located in the Member State whose designated authority set that rate:

1) a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 233 of this Act;

2) a rate set by the designated authority of another Member State, if the Croatian National Bank has recognised that buffer rate in accordance with Article 233 of this Act.

(3) If a relevant third-country authority sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act credit institutions shall apply the following to the relevant credit exposures located in the third country whose relevant authority set that rate:

1) a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 233 of this Act;

2) a rate set by the relevant third-country authority, if the Croatian National Bank has recognised that buffer rate in accordance with Article 233 of this Act.

(4) A credit institution shall apply the countercyclical buffer rate referred to in paragraphs (1) to (3) of this Article in the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act for the purposes of the calculation of the element of consolidated capital that relates to the credit institution in question.

Beginning of the application of a countercyclical buffer rate in the calculation of an institution-specific rate

Article 237

(1) If a countercyclical buffer rate for the Republic of Croatia and other Member States is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act from the date specified in the published decision referred to in Article 232, paragraph (1), item (5) of this Act or in the published decision referred to in Article 233, paragraph (2), item (3) of this Act.

(2) If a countercyclical buffer rate for a third country is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act 12 months after the date on which a change in the buffer rate was announced by the relevant third-country authority, irrespective of whether that authority requires credit institutions incorporated in that third country to apply the change within a shorter period.

(3) For the purposes of paragraph (2) of this Article, a change in the countercyclical buffer rate for a third country shall be considered to be announced on the date that it is published by the relevant third-country authority in accordance with the applicable national rules.

(4) By way of derogation from paragraph (2) of this Article, where a countercyclical buffer rate is increased and where the Croatian National Bank sets the countercyclical buffer rate for a third country in accordance with Article 234, paragraphs (1), (2) and (3) of this Act or where it recognises the countercyclical buffer rate for a third country in accordance with Article 233 of this Act, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act from the date specified in the published decision referred to in Article 233, paragraph (2), item (3) or Article 234, paragraph (7) of this Act.

(5) Where a countercyclical buffer rate is reduced, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 235 of this Act from the date of the publication of the decision to reduce that rate.

CHAPTER IV
SYSTEMIC RISK BUFFER

General provisions

Article 238

(1) The Croatian National Bank shall be the designated authority responsible for setting the systemic risk buffer for credit institutions and for identifying the exposures and subsets of credit institutions to which the systemic risk buffer applies.

(2) In order to prevent and mitigate macroprudential or systemic risks, including risks arising from climate change, not covered by Regulation (EU) No 575/2013, Title XVIII, Chapters III and V of this Act, and total risk exposure amount, the Croatian National Bank shall set the buffer referred to in paragraph (1) of this Article on an individual, sub-consolidated or consolidated basis.

(3) In laying down the requirements referred to in paragraph (2) of this Article, the Croatian National Bank shall in particular take into account the risks of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy in the Republic of Croatia.

(4) The Croatian National Bank shall set by a decision the rate of the systemic risk buffer referred to in paragraph (1) of this Article for all credit institutions or for one or more subsets of credit institutions, for all subsets or a subset of exposures as referred to in Article 240, paragraph (3) of this Act.

(5) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the systemic risk buffer.

Requirement to maintain a systemic risk buffer

Article 239

(1) Credit institutions shall maintain a systemic risk buffer on an individual, sub-consolidated or consolidated basis in the manner and in accordance with Part One, Title II of Regulation (EU) No 575/2013.

(2) Credit institutions shall maintain the systemic risk buffer calculated and maintained in accordance with the decision referred to in Article 238 of this Act with common equity tier 1 capital, as prescribed in accordance with Part One, Title II of Regulation (EU) No 575/2013, in the amount and in the manner set by the Croatian National Bank.

(3) The provisions of Article 250, paragraphs (2), (3) and (5), Article 255 and, where appropriate, Article 256 of this Act shall apply to credit institutions that fail to meet the requirements referred to in paragraphs (1) and (2) of this Article. Where the application of those provisions does not lead to a satisfactory improvement of the common equity tier 1 capital of the credit institution in the light of the relevant systemic risk, the Croatian National Bank may take additional measures in accordance with this Act.

The method of setting a systemic risk buffer rate

Article 240

(1) In accordance with Article 238, paragraph (4) of this Act, the Croatian National Bank may specify that a systemic risk buffer shall apply to:

1) all exposures located in the Republic of Croatia;

2) the following sectoral exposures located in the Republic of Croatia:

a) all retail exposures to natural persons which are secured by residential property;

b) all exposures to legal persons which are secured by commercial immovable property;

c) all exposures to legal persons excluding those specified in sub-item (b) of this item;

d) all exposures to natural persons excluding those specified in sub-item (a) of this item;

3) all exposures located in other Member States, in accordance with Article 241, paragraph (14) of this Act and in accordance with paragraphs (7) and (8) of this Article;

4) sectoral exposures, as identified in item (2) of this paragraph, located in other Member States only to enable recognition of a buffer rate set by another Member State in accordance with Article 243 of this Act;

5) exposures located in third countries; or

6) subsets of any of the exposure categories identified in item (2) of this paragraph.

(2) The Croatian National Bank shall set the systemic risk buffer rate as multiples of 0.5 percentage points.

(3) The Croatian National Bank may set different systemic risk buffer rates for different subsets of credit institutions and of exposures.

(4) The Croatian National Bank shall not use the systemic risk buffer to address the risks referred to in Title XVIII, Chapter III and Title XVIII, Chapter V of this Act and the risks fully covered by the calculation referred to in Article 92, paragraph (3) of Regulation (EU) No 575/2013.

(5) When setting a systemic risk buffer to be maintained the Croatian National Bank shall take account that this buffer does not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the European Union as a whole by forming or creating an obstacle to the functioning of the internal market.

(6) The Croatian National Bank shall review the systemic risk buffer at least every second year.

(7) Where the Croatian National Bank decides to apply the systemic risk buffer to exposures of credit institutions in other Member States, the buffer rate shall be set equally on all exposures located within the European Union except in the case of recognising the systemic risk buffer rate as defined in Article 243 of this Act.

(8) By way of derogation from paragraph (7) of this Article, the systemic risk buffer rate for exposures of credit institutions in a specific Member State may be different only where the Croatian National Bank has recognised the systemic risk buffer rate set by that Member State in accordance with Article 243 of this Act.

(9) Where a systemic risk buffer applies to the total exposure amount of a credit institution and that institution becomes bound by the output floor in accordance with Regulation (EU) No 575/2013, the Croatian National Bank shall review, within the time limit referred to in paragraph (6) of this Article, the credit institution’s previously determined systemic risk buffer requirement.

Procedure for setting a systemic risk buffer

Article 241

(1) The Croatian National Bank shall notify the European Systemic Risk Board prior to a decision to set or reset the systemic risk buffer rate in accordance with Article 238 of this Act and in the event that the systemic risk buffer rate relates to exposures located in third countries.

(2) The Croatian National Bank shall notify the competent or designated authority of a Member State where the credit institution to which a systemic risk buffer rate applies is a subsidiary the parent of which is established in another Member State.

(3) The notification referred to in paragraphs (1) or (2) of this Article shall describe in detail:

1) the systemic or macroprudential risk in the Republic of Croatia;

2) the reasons why the dimension of the systemic or macroprudential risks threatens the stability of the financial system in the Republic of Croatia justifying the systemic risk buffer rate;

3) the justification for why the Croatian National Bank considers the proposed systemic risk buffer likely to be effective and proportionate to mitigate the risk;

4) an assessment of the likely positive or negative impact of the systemic risk buffer on the internal market, based on information which is available;

5) the systemic risk buffer rate or rates that the Croatian National Bank intends to impose, the exposures to which the rate or rates apply and the credit institutions to which these rates apply;

6) where the systemic risk buffer rate applies to all exposures, a justification of why the Croatian National Bank considers that the systemic risk buffer is not duplicating the functioning of the O-SII buffer.

(4) Where the setting or the change in the systemic risk buffer rate does not lead to an increase in the previously set systemic risk buffer rate, the Croatian National Bank shall notify the European Systemic Risk Board and other competent authorities thereof in accordance with paragraphs (1) to (3) of this Article.

(5) Where the systemic risk buffer rate or rates that the Croatian National Bank intends to set on any set or subset of exposures referred to in Article 240, paragraph (1) of this Act subject to one or more rates of that buffer does not result in a combined systemic risk buffer rate higher than 3% for any of those exposures, the Croatian National Bank shall notify thereof the European Systemic Risk Board, in accordance with paragraphs (1) and (2) of this Article, one month before the publication of the decision referred to in Article 242 of this Act.

(6) The recognition of a systemic risk buffer rate set by another Member State in accordance with the national law of the Member States transposing Article 134 of Directive 2013/36 shall not count towards the 3% threshold referred to in paragraph (5) of this Article.

(7) Where the Croatian National Bank intends to set a systemic risk buffer rate or rates for any set or subset of exposures referred to in Article 240, paragraph (1) of this Act subject to one or more systemic risk buffers, which results in a combined systemic risk buffer rate at a level higher than 3% and up to 5% for any of those exposures, the Croatian National Bank shall in the notification referred to in paragraph (1) of this Article request an opinion of the European Commission and the European Systemic Risk Board.

(8) The Croatian National Bank may apply the intended systemic risk buffer rate if it obtained a positive opinion from the European Commission. Where the opinion of the European Commission is negative, the Croatian National Bank shall adopt a decision in compliance with that opinion or give reasons for not doing so.

(9) In the case referred to in paragraph (7) of this Article, where the credit institution to which one or more structural systemic risk buffer rates apply is a subsidiary the parent of which is established in another Member State, the Croatian National Bank shall in the notification referred to in paragraph (3) of this Article forward the recommendation of the European Commission and the European Systemic Risk Board.

(10) In the case referred to in paragraph (7) of this Article, where the relevant authorities of the other Member State responsible for subsidiaries and parent undertakings express disagreement with the proposed systemic risk buffer rate or rates applicable to that credit institution and where the European Commission and the European Systemic Risk Board issue a negative recommendation, the Croatian National Bank shall not implement the decision on the systemic risk buffer, but it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(11) The Croatian National Bank shall suspend the adoption of a decision on the buffer rate until the European Banking Authority has taken a decision referred to in paragraph (10) of this Article and shall set the rate in accordance with that decision.

(12) The Croatian National Bank may express disagreement when a relevant authority of another Member State notifies it of the systemic risk buffer referred to in paragraph (7) of this Article that applies to a subsidiary credit institution from that Member State the parent of which is established in the Republic of Croatia.

(13) Where the Croatian National Bank mutually recognises a systemic risk buffer rate prescribed by another Member State in accordance with the provisions of the national law of the Member States transposing Article 134 of Directive 2013/36/EU it shall not add it to the threshold described in paragraph (7) of this Article.

(14) Where the Croatian National Bank intends to set a systemic risk buffer rate or rates on any set or subset of exposures referred to in Article 240, paragraph (1) of this Act subject to one or more systemic risk buffers, which results in a combined systemic risk buffer rate at a level higher than 5% for any of those exposures, the Croatian National Bank shall, before adopting that decision, request the authorisation of the European Commission.

(15) The Croatian National Bank may apply the rate referred to in paragraph (14) of this Article after the European Commission authorises the implementation of that rate.

(16) Where the Croatian National Bank mutually recognises a systemic risk buffer rate prescribed by another Member State in accordance with the provisions of the national laws of the Member States transposing Directive 2013/36/EU it shall not add it to the threshold described in paragraph (14) of this Article.

Announcement of a systemic risk buffer

Article 242

(1) After setting one or more systemic risk buffer rates in accordance with Article 241 of this Act, the Croatian National Bank shall publish the amount of the systemic risk buffer rate in the Official Gazette and announce it on its website.

(2) The announcement on the Croatian National Bank website referred to in paragraph (1) of this Article shall include at least the following information:

1) the systemic risk buffer rate;

2) the credit institutions to which the systemic risk buffer applies;

3) the exposures to which the systemic risk buffer rate or rates apply;

4) a justification for setting the systemic risk buffer rate or rates, except in cases where it could jeopardise the stability of the financial system;

5) the date from which the credit institutions shall apply a particular systemic risk buffer rate or rates; and

6) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.

(3) The publication in the Official Gazette referred to in paragraph (1) of this Article shall include at least the following information:

1) the systemic risk buffer rate;

2) the indication of the credit institutions to which the systemic risk buffer applies;

3) the date from which it shall be applied;

4) the names of the Member States and/or third-countries to which the systemic risk buffer applies.

Recognition of a systemic risk buffer rate

Article 243

(1) The Croatian National Bank may adopt a decision to recognise a systemic risk buffer rate set by the relevant authority of another Member State and may prescribe that this systemic risk buffer rate is to be applied by credit institutions for exposures located in that Member State.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall publish that decision in the Official Gazette and announce it on its website and shall notify the European Systemic Risk Board thereof.

(3) When deciding whether to recognise a systemic risk buffer rate set by the relevant authority of another Member State, the Croatian National Bank shall take into consideration the information presented by that Member State setting that rate in accordance with the national law of the Member States transposing Article 133, paragraphs (9) and (13) of Directive 2013/36/EU.

(4) Where the Croatian National Bank, in accordance with paragraph (1) of this Article, recognises a systemic risk buffer rate, that systemic risk buffer may be cumulative with the systemic risk buffer applied in accordance with Articles 238 to 241 of this Act, provided that the buffers address different risks. Where the buffers address the same risks, credit institutions shall apply only the higher buffer.

(5) If it sets a systemic risk buffer rate, the Croatian National Bank may ask the European Systemic Risk Board to issue a recommendation in accordance with Article 16 of Regulation (EU) No 1092/2010 to one or more Member States for recognition of that buffer rate for exposures located in the Republic of Croatia.

CHAPTER V
BUFFERS FOR GLOBAL SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS AND OTHER SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS

Global systemically important credit institutions

Article 244

(1) The Croatian National Bank shall identify, on a consolidated basis, global systemically important credit institutions (G-SIIs), authorised under this Act.

(2) The Croatian National Bank shall be the designated authority for identifying G-SIIs under Article 131, paragraph (1) of Directive 2013/36/EU.

(3) The G-SII referred to in paragraph (1) of this Article may be:

1) a group headed by an EU parent credit institution having its head office in the RC, an EU parent financial holding company or an EU parent mixed financial holding company; and

2) a credit institution having its head office in the RC which is not a subsidiary of an EU parent credit institution, of an EU parent financial holding company or of an EU parent mixed financial holding company.

(4) Each G-SII shall, on a consolidated basis, maintain a G-SII buffer, which shall correspond to the sub-category referred to in Article 245, paragraph (5) of this Act to which the G-SII is allocated. That buffer shall consist of common equity tier 1 capital.

(5) The Croatian National Bank shall notify to the European Systemic Risk Board the names of the G-SIIs and the respective sub-category to which each G-SII is allocated and shall publicly disclose this information on its website.

(6) The notification referred to in paragraph (5) of this Article shall contain full reasons why supervisory judgment has been exercised or not in accordance with Article 245, paragraph (9) of this Act.

(7) The Croatian National Bank shall identify a G-SII and the respective sub-category to which it is allocated by adopting a decision.

Identification methodology for G-SIIs

Article 245

(1) The identification methodology for G-SIIs shall be based on the following categories, each of which shall receive an equal weighting and shall consist of quantifiable indicators:

1) size of the group;

2) interconnectedness of the group with the financial system;

3) substitutability of the services or of the financial infrastructure provided by the group;

4) complexity of the group; and

5) cross-border activity of the group, including cross-border activity between the Republic of Croatia and other Member States and between the Republic of Croatia and a third country.

(2) An additional identification methodology for G-SIIs shall be based on the following categories:

1) the categories referred to in paragraph (1), items (1) to (4) of this Article;

2) cross-border activity of the group, excluding the group's activities across participating Member States as referred to in Article 4 of Regulation (EU) No 806/2014.

(3) Each category referred to in paragraph (2) of this Article shall receive an equal weighting and shall consist of quantifiable indicators. For the categories referred to in paragraph (2), item (1) of this Article, the indicators shall be the same as the corresponding indicators determined pursuant to paragraph (1) of this Article.

(4) By using the additional identification methodology for G-SIIs referred to in paragraph (2) of this Article, the Croatian National Bank shall produce an additional overall score for each assessed entity as referred to in Article 244, paragraph (3) of this Act on the basis of which the Croatian National Bank may take one of the measures referred to in paragraph (9) of this Article.

(5) By using the methodology referred to in paragraphs (1) to (4) of this Article, the Croatian National Bank shall produce an overall score for each entity as referred to in Article 244, paragraph (3) of this Act, which allows G-SIIs to be identified and allocated into one of the five sub-categories provided for in Article 5, paragraph (3) of Commission Delegated Regulation (EU) No 1222/2014.

(6) Based on the overall scores under the identification methodology for G-SIIs, the Croatian National Bank shall determine the lowest boundary and the boundaries between each sub-category.

(7) The cut-off scores between adjacent sub-categories shall be defined clearly and shall adhere to the principle that there is a constant linear increase of systemic significance between each sub-category, resulting in a linear increase in the requirement of additional common equity tier 1 capital, with the exception of sub-category 5 and any other higher sub-category.

(8) Each G-SII shall maintain a G-SII buffer, which shall correspond to the sub-category to which the G-SII is allocated in accordance with paragraph (5) of this Article, in the following amount:

1) for the first and lowest sub-category, 1% of total risk exposure amount;

2) for the second sub-category, 1.5% of total risk exposure amount;

3) for the third sub-category, 2% of total risk exposure amount;

4) for the fourth sub-category, 2.5% of total risk exposure amount;

5) for the fifth and highest sub-category, 3.5% of total risk exposure amount;

(9) Without prejudice to the provisions of Article 244 of this Act and the results of the methodology referred to in this Article, the Croatian National Bank may, in the exercise of sound supervisory judgement:

1) re-allocate a G-SII from a lower sub-category to a higher sub-category;

2) allocate an entity as referred to in Article 244, paragraph (3) of this Act that has an overall score as referred to in paragraph (5) of this Article that is lower than the cut-off score of the lowest sub-category to that sub-category or to a higher sub-category, thereby designating it as a G-SII;

3) re-allocate a G-SII from a lower sub-category to a higher sub-category, taking into account the Single Resolution Mechanism, based on the overall score of the additional methodology referred to in paragraph (2) of this Article.

(10) The Croatian National Bank shall review annually the identification of G-SIIs and the G-SII allocation into the respective sub-categories.

(11) The Croatian National Bank shall report the result of the review referred to in paragraph (10) of this Article to the G-SII concerned and the European Systemic Risk Board and shall publicly disclose on its website the updated list of identified G-SIIs and the sub-category into which each identified G-SII is allocated.

Other systemically important credit institutions

Article 246

(1) The Croatian National Bank shall be the designated authority for the purposes of Article 131, paragraph (1) of Directive 2013/36/EU, which identifies, on an individual, sub-consolidated or consolidated basis, other systemically important credit institutions (O-SIIs) in the Republic of Croatia.

(2) O-SIIs referred to in paragraph (1) of this Article may be one of the following:

1) a credit institution authorised under this Act; or

2) a group of credit institutions headed by: an RC parent credit institution or an EU parent credit institution having its head office in the RC, an RC parent financial holding company or an EU parent financial holding company, an RC parent mixed financial holding company or an EU parent mixed financial holding company;

(3) The Croatian National Bank shall set an O-SII buffer rate, on a consolidated or sub-consolidated or individual basis, as applicable, of up to 3% of the total risk exposure amount, taking into account the criteria for the identification of the O-SII.

(4) The O-SII buffer shall consist of common equity tier 1 capital.

(5) Each O-SII shall maintain an O-SII buffer in the amount set by the Croatian National Bank taking into account paragraph (6) of this Article and Article 248 of this Act.

(6) By way of derogation from paragraph (3) of this Article, the Croatian National Bank may set an O-SII buffer rate higher than 3% of the total risk exposure amount for each O-SII, on a consolidated, sub-consolidated or individual basis, as applicable, subject to the authorisation of the European Commission.

(7) By way of derogation from paragraph (3) of this Article and Article 238 of this Act, where an O-SII is a subsidiary of either a G-SII or an O-SII which is either a credit institution or a group headed by an EU parent institution, and subject to an O-SII buffer on a consolidated basis, the buffer that applies on an individual or sub-consolidated basis for the O-SII shall not exceed the lower of:

1) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount; and

2) 3% of the total risk exposure amount or the rate the European Commission has authorised to be applied to the group on a consolidated basis in accordance with paragraph (6) of this Article.

(8) The Croatian National Bank shall notify the European Systemic Risk Board of the names of the O-SIIs, the respective sub-category to which each O-SII is allocated, and the O-SII buffer rates and shall publicly disclose this information on its website.

(9) The notification referred to in paragraph (8) of this Article shall contain full reasons why supervisory judgment has been exercised or not in accordance with Article 245, paragraph (9) of this Act.

(10) The Croatian National Bank shall by a decision identify O-SIIs and the buffer rate for each O-SII.

Identification methodology for O-SIIs

Article 247

(1) For the purposes of identifying O-SIIs, systemic importance shall be assessed on the basis of at least one of the following criteria:

1) size;

2) importance for the economy of the European Union or of the Republic of Croatia;

3) significance of cross-border activities; and

4) interconnectedness of the credit institution or the group with the financial system.

(2) When requiring an O-SII buffer to be maintained, the Croatian National Bank shall comply with the following:

1) the O-SII buffer shall not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the European Union as a whole forming or creating an obstacle to the functioning of the internal market;

2) the O-SII buffer must be reviewed by the Croatian National Bank at least annually.

(3) When an O-SII becomes subject to the application of the output floor in accordance with Regulation (EU) 575/2013, the Croatian National Bank shall review, within the time limit referred to in paragraph (2) of this Article, the O-SII's previously determined O-SII buffer requirement.

(4) Before setting or resetting an O-SII buffer, the Croatian National Bank shall notify thereof the European Systemic Risk Board one month before the publication of the decision referred to in Article 246, paragraph (3) of this Act or three months before the publication of the decision referred to in Article 246, paragraph (6) of this Act.

(5) The notification referred to in paragraph (4) of this Article shall describe in detail:

1) the justification for why the Croatian National Bank considers the proposed O-SII buffer likely to be effective and proportionate to mitigate the risk;

2) an assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on information which is available;

3) the O-SII buffer rate that the Croatian National Bank intends to prescribe.

(6) The Croatian National Bank shall review annually the identification of O-SIIs. The Croatian National Bank shall report the result of that review to the O-SII concerned and the European Systemic Risk Board and shall publicly disclose on its website the updated list of the O-SIIs and the O-SII buffer rate.

(7) The Croatian National Bank shall disclose on its website the important elements of the identification methodology for O-SIIs and for setting the O-SII buffer rate.

CHAPTER VI
CORRELATION BETWEEN SYSTEMIC RISK BUFFERS

Correlation between a systemic risk buffer, a G-SII buffer and an O-SII buffer

Article 248

(1) Where a group of credit institutions in the RC, on a consolidated basis, is subject to a G-SII buffer and to an O-SII buffer, the higher buffer shall apply to this group of credit institutions on a consolidated basis.

(2) Where a credit institution is subject to a systemic risk buffer, set in accordance with Title XVIII, Chapter IV of this Act, that buffer shall be cumulative with the O-SII buffer or the G-SII buffer that is applied in accordance with Title XVIII, Chapter V of this Act.

(3) In the case referred to in paragraph (2) of this Article, where the sum of the systemic risk buffer rate set in accordance with Article 240 of this Act and the O-SII buffer rate set in accordance with Article 246 of this Act or the G-SII buffer rate set in accordance with Article 245 of this Act to which the same credit institution is subject to would be higher than 5%, the Croatian National Bank shall request the authorisation of the European Commission in accordance with Article 246 of this Act.

(4) If the decision to set the systemic risk buffer rate or the O-SII buffer rate or the G-SII buffer rate reduces these rates or if they remain unchanged relative to the previously set rates, the procedure of obtaining the authorisation of the European Commission referred to in Article 246 shall not be carried out.

(5) The Croatian National Bank may set the buffer rates referred to in paragraph (3) of this Article the sum of which would be higher than 5% of the total risk exposure amount only subject to the authorisation of the European Commission.

CHAPTER VII
OTHER MACROPRUDENTIAL MEASURES

Measures and instruments aimed at safeguarding the stability of the financial system

Article 249

The Croatian National Bank as a designated authority shall, when this is necessary to safeguard the stability of the financial system as a whole, to strengthen the resilience of the financial system and to prevent and mitigate systemic risks, adopt subordinate legislation to set appropriate measures and instruments that may include:

1) the highest allowed ratio of the approved loan amount to the collateral value;

2) the highest allowed ratio of the loan amount to the income of the borrower;

3) the highest allowed ratio of the debt service to the income of the borrower;

4) the maximum maturity of the loan agreement;

5) the requirements related to the loan amortization; or

6) other measures and requirements aimed at safeguarding the stability of the financial system as a whole and preventing and mitigating systemic risks.

(2) Credit institutions shall apply measures provided for in the subordinate legislation adopted under paragraph (1) of this Article.

CHAPTER VIII
CAPITAL CONSERVATION MEASURES

Restrictions on distributions

Article 250

(1) A credit institution that meets the combined buffer requirement shall not make a distribution in connection with common equity tier 1 capital to an extent that would decrease its common equity tier 1 capital to a level where the combined buffer requirement is no longer met.

(2) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount (hereinafter referred to as 'MDA') in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of the calculated maximum distributable amount.

(3) The credit institution referred to in paragraph (2) of this Article shall not undertake any of the following actions before it has calculated the maximum distributable amount:

1) make a distribution in connection with common equity tier 1 capital;

2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the combined buffer requirement; and

3) make payments on additional tier 1 instruments.

(4) For the purposes of paragraphs (1) and (3) of this Article, a distribution in connection with common equity tier 1 capital shall include the following:

1) a payment of cash dividends;

2) a distribution of fully or partly paid bonus shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;

3) a redemption or purchase by a credit institution of its own shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;

4) a repayment of amounts paid up in connection with capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013; and

5) a distribution of items referred to in Article 26, paragraph (1), items (b) to (e) of Regulation (EU) No 575/2013.

(5) A credit institution that fails to meet its combined buffer requirement at least in the amount prescribed in this Act shall not distribute more than the maximum distributable amount calculated in accordance with paragraph (2) of this Article through any action referred to in paragraph (3) of this Article.

(6) A credit institution that meets the leverage ratio buffer requirement pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013 shall not make a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the leverage ratio buffer requirement is no longer met.

(7) A credit institution that fails to meet the leverage ratio buffer requirement shall calculate the leverage ratio related maximum distributable amount (hereinafter referred to as 'L – MDA') in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of that calculated distributable amount.

(8) The credit institution referred to in paragraph (7) of this Article shall not undertake any of the following actions before it has calculated the L – MDA:

1) make a distribution in connection with common equity tier 1 capital;

2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the leverage ratio buffer requirement referred to in paragraph (6) of this Article; and

3) make payments on additional tier 1 instruments.

(9) Where a credit institution fails to meet or exceed its leverage ratio buffer requirement, it shall not distribute more than the L – MDA calculated in accordance with the subordinate legislation referred to in paragraph (10) of this Article through any action referred to in paragraph (8) of this Article.

(10) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the MDA and the L – MDA.

Failure to meet the combined buffer requirement

Article 251

Within the meaning of Article 250, paragraphs (1) to (5) of this Act, a credit institution shall be considered as failing to meet the combined buffer requirement where it does not have own funds in an amount and of the quality needed to meet at the same time the combined buffer requirement and each of the following requirements:

1) referred to in Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 107 of this Act used to cover risks other than the risk of excessive leverage.

2) referred to in Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 107 of this Act used to cover risks other than the risk of excessive leverage; and

3) referred to in Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 107 of this Act used to cover risks other than the risk of excessive leverage.

Failure to meet the leverage ratio buffer requirement

Article 252

Within the meaning of Article 250, paragraphs (6) to (9) of this Act, a credit institution shall be considered as failing to meet the leverage ratio buffer requirement where it does not have own funds in an amount and of the quality needed to meet at the same time the leverage ratio buffer requirement and each of the following requirements:

1) referred to in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 107 of this Act used to cover the risk of excessive leverage; and

2) referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 107 of this Act used to cover the risk of excessive leverage.

Payments subject to restrictions on distributions

Article 253

The restrictions on distributions imposed by Article 250 of this Act shall only apply to payments that result in a reduction of common equity tier 1 capital or in a reduction of profits, and where a suspension of payment or

failure to pay does not constitute an event of default or a condition for the commencement of proceedings under the provisions of this Act and other regulations governing the insolvency regime applicable to the credit institution.

Distributions in the case of failure to meet the combined buffer and the leverage ratio buffer requirement

Article 254

(1) A credit institution that fails to meet the combined buffer or the leverage ratio buffer requirement and intends to distribute any of its distributable profits or undertake an action referred to in Article 250, paragraphs (3) to (8) of this Act shall notify the Croatian National Bank in advance and provide the following information:

1) the amount of capital maintained by the credit institution, subdivided as follows:

a) common equity tier 1 capital,

b) additional tier 1 capital,

c) tier 2 capital;

2) the amount of its interim and year-end profits;

3) the maximum distributable amount calculated in accordance with Article 250, paragraphs (2), (7) and (10) of this Act;

4) the amount of distributable profits it intends to allocate between the following:

a) dividend payments,

b) share buybacks,

c) payments on additional tier 1 instruments,

d) the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the credit institution failed to meet its combined buffer requirement.

(2) A credit institution shall establish and maintain arrangements to ensure that the amount of distributable profits, the MDA and the L-MDA are calculated accurately, and shall be able to demonstrate that accuracy to the Croatian National Bank on request.

Capital conservation plan

Article 255

(1) A credit institution that fails to meet the combined buffer or the leverage ratio buffer requirement shall prepare a capital conservation plan and submit it to the Croatian National Bank no later than five working days after it identified that it was failing to meet that requirement.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may, on request of an individual credit institution, allow the credit institution to submit a capital conservation plan in up to 10 days taking into account the scale and complexity of the credit institution's activities.

(3) The capital conservation plan shall include the following:

1) estimates of income and expenditure and a forecast balance sheet;

2) measures to increase the capital ratios of the credit institution; and

3) a plan and timeframe for the increase of own funds with the objective of meeting fully the combined buffer requirement.

(4) The Croatian National Bank may request any other information that it considers to be necessary to carry out the assessment required by paragraph (5) of this Article.

(5) The Croatian National Bank shall assess the capital conservation plan, and shall approve the plan only if it considers that the plan, if implemented, would be reasonably likely to conserve or raise sufficient capital to enable the credit institution to meet its combined buffer requirement or the leverage ratio buffer requirement within a period which the Croatian National Bank considers appropriate.

(6) If the Croatian National Bank does not approve the capital conservation plan in accordance with paragraph (5) of this Article, it shall impose one or both of the following:

1) require the credit institution to increase own funds to specified levels within specified periods;

2) exercise its powers under Article 185 of this Act to impose more stringent restrictions on distributions than those required by Articles 250 to 254 of this Act.

(7) Where a credit institution intends to take other measures to increase its capital ratios, i.e. change the timeframe for the increase in own funds from the approved capital conservation plan, it shall notify the Croatian

National Bank thereof and submit an amended capital conservation plan. The Croatian National Bank shall assess and approve the amended capital conservation plan in accordance with paragraph (5) of this Article.

Capital conservation measures in case the combined buffer and the leverage ratio buffer requirement is not met on a consolidated basis

Article 256

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC which meet the combined buffer requirement on an individual basis, but on a consolidated basis do not meet the combined buffer requirement relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

1) Articles 250 to 254 of this Act *mutatis mutandis* on an individual basis; and

2) Article 255 of this Act *mutatis mutandis* on a consolidated basis for a group of credit institutions in the RC.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement applicable to them on an individual basis, or such a requirement on a consolidated basis relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

1) Articles 250 to 254 of this Act so that the maximum distributable amount is considered the lower of the following amounts:

a) the amount calculated by applying Article 250 of this Act; or

b) the amount calculated by applying paragraph (1), item (1) of this Article.

2) Article 255 of this Act *mutatis mutandis* on a consolidated basis for a group of credit institutions in the RC.

(3) By way of derogation from Article 255 of this Act, a member of a group of credit institutions in the RC that fails to meet the combined buffer requirement on an individual basis shall not be obliged to create a capital conservation plan in the cases referred to in paragraphs (1) and (2) of this Article, but an RC parent credit institution and an EU parent credit institution having its head office in the RC shall create a capital conservation plan referred to in paragraph (1), item (2) and paragraph (2), item (2) of this Article in the manner that it contains at a minimum the capital conservation plans of the members of a group of credit institutions in the RC which fail to meet the combined buffer requirement on an individual basis.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements laid down in Articles 250 to 254 of this Act, as well as the requirements referred to in this Article which an RC parent credit institution and an EU parent credit institution having its head office in the RC must meet in the case referred to in this Article.

CHAPTER IX
REPORTING

Reporting

Article 257

A credit institution and a parent credit institution shall report to the Croatian National Bank the capital buffers referred to in Title XVIII, Chapters II to VI of this Act and the capital conservation measures referred to in Articles 250 to 256 of this Act in the manner and within the time limits provided for in the subordinate legislation referred to in Article 217, paragraph (2) of this Act.

TITLE XIX
CRISIS MANAGEMENT

CHAPTER I
RECOVERY PLAN

Recovery plan

Article 258

(1) A recovery plan that sets out measures to be taken to restore its financial position following a significant financial deterioration shall be drawn up and maintained by:

1) a credit institution that is not part of a group of credit institutions in the EU, on an individual basis;

2) a credit institution that is a member of a group of credit institutions in the EU, on an individual or sub-consolidated basis, where so decided in accordance with Article 260, paragraph (3) of this Act and imposed by a decision of the Croatian National Bank; and

3) a credit institution that is excluded from a group of credit institutions in the RC pursuant to Article 19 of Regulation (EU) No 575/2013, on an individual basis.

(2) A recovery plan shall be considered as part of the governance arrangements referred to in Article 181 of this Act.

(3) A credit institution shall update its recovery plan at least annually or after a change in the legal or organisational structure of the credit institution or of the member of a group of credit institutions for which the recovery plan is drawn up or after a change in its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plan, and shall deliver the plan to the Croatian National Bank.

(4) Where it deems it necessary, the Croatian National Bank may require a credit institution to update its recovery plans more frequently.

(5) Prior to its delivery to the Croatian National Bank, a credit institution's management board shall assess and approve the recovery plan subject to the prior approval of the supervisory board.

(6) A credit institution shall implement the recovery plan adopted in accordance with paragraph (5) of this Article.

(7) The recovery plan referred to in paragraph (1) of this Article shall be drawn up and delivered in the manner prescribed in subordinate legislation adopted under Article 15 of this Article.

(8) A credit institution shall prepare and regularly update a list of financial contracts to which the credit institution concerned is a party.

(9) A credit institution shall lay down, document and regularly review the process of drawing up and updating recovery plans.

(10) A credit institution shall ensure the Croatian National Bank access to full and detailed information concerning the process of drawing up and updating its recovery plans.

(11) The application of a reduced scope of recovery plans and lower frequency of their updating as defined in paragraph (7) of this Article shall not affect the power of the Croatian National Bank to take crisis prevention measures.

(12) Before adopting the subordinate legislation referred to in paragraph (15) of this Article, the Croatian National Bank shall consult the Financial Stability Council with regard to the circumstances referred to in paragraph (15), item (2) of this Article.

(13) The Croatian National Bank shall notify the European Banking Authority of the adoption of subordinate legislation referred to in paragraph (15) of this Article and the manner in which the reduced scope of recovery plans and lower frequency of their updating are regulated.

(14) By way of derogation from paragraph (1) of this Article, a credit institution under resolution shall not be obliged to draw up or update its recovery plan.

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

1) the method and scope of application of the requirements related to recovery plans and the content of such plans and the method of and time limits for their submission.

2) the reduced scope and frequency of updating of recovery plans, taking into account the following:

a) the effect that the failure of the credit institution might have due to the nature of its business, shareholding structure, legal form, risk profile, size and legal status, interconnectedness to other credit institutions or the financial system in general, the scope and complexity of its activities, and investment services or activities as defined in the regulations governing the capital market, transposing the provisions of Article 4, paragraph (1), item (2) of Directive 2014/65/EU; and

b) the assessment of whether its failure and compulsory winding-up proceedings could have a significant negative effect on financial markets, on other credit institutions or investment firms, on funding conditions, or on the wider economy.

Assessment of recovery plans

Article 259

(1) A credit institution shall ensure that its recovery plan meets the following criteria:

1) it can reasonably be assumed that the implementation of the arrangements proposed in the plan maintains or restores the viability of the credit institution's regular operation and stability of the financial position of the credit institution or of a group of credit institutions for which the plan is drawn up in case of a

serious financial disruption, taking into account the preparatory measures that the credit institution has taken or plans to take; and

2) it can reasonably be assumed that the recovery plan and the arrangements proposed in the plan may be implemented quickly and effectively in case of a serious financial disruption and shall not lead to significant adverse effects on the financial system, including in scenarios which would lead other credit institutions to implement recovery plans within the same period.

(2) The Croatian National Bank shall, within six months of the submission of the recovery plan, review whether the requirements laid down in Article 258 of this Act, the subordinate legislation adopted under Article 258, paragraph (15) of this Act and the conditions referred to in paragraph (1) of this Article are satisfied and notify the credit institution thereof.

(3) Where a credit institution has a significant branch located in another Member State, the Croatian National Bank shall, within the said period, consult the competent authority of the Member State where the significant branch is located on the matters referred to in paragraph (2) of this Article, insofar as is relevant to that branch.

(4) In connection to the review referred to in paragraphs (2) and (3) of this Article, the Croatian National Bank shall take into consideration the appropriateness of the credit institution's capital and funding structure to the level of complexity of the organisational structure and the risk profile of the institution.

(5) The Croatian National Bank shall without delay provide the recovery plan to the resolution authority responsible for drawing up the credit institution's resolution plan, which may, where it deems that the actions proposed in the recovery plan may adversely impact the resolvability of the credit institution, make recommendations within a reasonable timeframe. The obtained recommendations shall be taken into consideration by the Croatian National Bank when imposing measures on the credit institution.

(6) Where the Croatian National Bank within the time limit referred to in paragraph (2) of this Article assesses that there are material deficiencies in the recovery plan, or material impediments to its implementation, it shall require the credit institution to submit, within the period not longer than two months, a revised plan remedying those deficiencies or impediments.

(7) The Croatian National Bank may, at the request of the credit institution, extend the timeframe for submitting a revised recovery plan referred to in paragraph (6) of this Article by one month at the most.

(8) Where the Croatian National Bank assesses that the deficiencies and impediments have not been remedied by the revised recovery plan, it may direct the credit institution to make specific changes to the recovery plan.

(9) If the credit institution fails to submit a revised recovery plan, or if the Croatian National Bank assesses that the revised recovery plan does not remedy the initially identified deficiencies or impediments and if it is not possible to remedy the deficiencies or impediments through a direction to make specific changes to the recovery plan, the Croatian National Bank shall require the credit institution to identify changes it can make to its business in order to remedy the deficiencies or impediments to the implementation of the recovery plan and the timeframe within which it would be able to implement them.

(10) If the Croatian National Bank assesses that the changes to the credit institution's business proposed by the credit institution adequately remedy the deficiencies or impediments to the implementation of the recovery plan, it shall direct the credit institution to make the changes.

(11) If the credit institution fails to identify changes to its business aimed at remedying deficiencies or impediments in the implementation of the recovery plan or if the Croatian National Bank assesses that the proposed changes or timeframes are not adequate, the Croatian National Bank may direct the credit institution to take any measure it considers to be necessary to remedy the deficiencies or impediments in the implementation of the recovery plan proportionate in view of the seriousness of the deficiencies and impediments and the effects of the measures on the credit institution's business.

(12) For the purpose of paragraph (11) of this Article, the Croatian National Bank may, in addition to other measures available under this Act, direct the credit institution to, at a minimum:

1) reduce its risk profile, including liquidity risk;

2) create the conditions for a timely increase in its initial capital or own funds;

3) review its strategy and organisational structure;

4) make changes to its funding strategy so as to improve the resilience of the core business lines and critical functions; and

5) make changes to its governance structure.

(13) The measures referred to in paragraph (12) of this Article can be measures implemented on a consolidated basis, measures implemented on an individual basis by an EU parent credit institution having its

head office in the RC or measures implemented on an individual basis by individual members of a group of credit institutions.

(14) In the case referred to in Article 10 of Regulation (EU) No 806/2014, when assessing recovery plans the Croatian National Bank shall act in accordance with that Regulation.

Group recovery plans

Article 260

(1) An EU parent credit institution having its head office in the RC shall prepare a group recovery plan, adopt it and deliver it to the Croatian National Bank.

(2) The group recovery plan referred to in paragraph (1) of this Article shall:

1) include the group recovery plan for the group of credit institutions in the EU;

2) set out measures the implementation of which is required at the level of the EU parent credit institution and each subsidiary on an individual basis;

(3) The Croatian National Bank may direct a member of the group to prepare and deliver a recovery plan on an individual basis.

(4) The aim of a group recovery plan shall be to achieve the stabilisation of the group of credit institutions as a whole or any member of that group in the situation of a serious financial disruption so as to address or remove the causes of the disruption or restore the financial position of the group or the members of that group, at the same time taking into account the financial position of other members of the group.

(5) A group recovery plan shall include arrangements to ensure coordination and consistency of recovery measures to be applied at the level of an EU parent credit institution, an EU financial holding company, an EU mixed financial holding company and EU mixed-activity holding company, an RC parent financial holding company, an EU parent financial holding company, an RC parent mixed-activity holding company, and an EU parent mixed-activity holding company and of measures to be undertaken at the level of subsidiaries and, where necessary, in accordance with this Act, at the level of significant branches.

(6) A group recovery plan and any plan drawn up for an individual subsidiary shall include the elements set out in Article 258 of this Act and the subordinate legislation adopted pursuant to Article 258, paragraph (15) of this Act or, where necessary, these plans shall include intragroup financial support measures adopted in accordance with the group financial support agreement concluded in accordance with Title XIX, Chapter II of this Act.

(7) A group recovery plan shall include a range of recovery options outlining measures to address the scenarios envisaged under subordinate legislation or, for each of these scenarios, identify whether there are impediments to the implementation of recovery measures within the group, including at the level of individual entities included in the plan, or whether there are any substantive, practical and legal impediments to the prompt transfer of own funds or repayment of liabilities or assets within the group.

(8) The management board of a credit institution that prepares a group recovery plan in accordance with paragraph (1) of this Article shall assess and approve the group recovery plan prior to delivering it to the consolidating supervisor.

(9) Articles 258 and 259 of this Act shall apply to a group recovery plan referred to in this Article.

Assessment of cross-border group recovery plans

Article 261

(1) The Croatian National Bank as the consolidating supervisor shall, in accordance with the requirements concerning the exchange of confidential information of the law governing the resolution of credit institutions and investment firms, transmit group recovery plans to:

1) the competent authorities of the Member States included in the college of supervisors;

2) the competent authorities of the Member States where significant branches are located insofar as is relevant to that branch;

3) the group-level resolution authority; and

4) resolution authorities of subsidiaries.

(2) After consulting the competent authorities included in the college of supervisors and insofar as is relevant to that branch, after consulting the competent authorities of the Member States where significant branches are located, the Croatian National Bank and the competent authorities of other Member States where head offices are located of other undertakings included in the group of credit institutions in the EU shall review, in the manner referred to in Article 260 of this Act and in this Article, whether the group recovery plan satisfies the requirements and criteria laid down in Article 260 of this Act and in this Article.

(3) The review referred to in paragraph (2) of this Article shall take into account the potential impact of the recovery measures on the financial stability in all the Member States where the group of credit institutions operates.

(4) The Croatian National Bank shall cooperate with the competent authorities of other Member States in which there are head offices of other subsidiary undertakings included in the group of credit institutions in the EU to reach a joint decision on:

1) the review and assessment of the group recovery plan for the group of credit institutions in the EU;

2) the application for a recovery plan on an individual basis for a credit institution that is part of the group of credit institutions in the EU;

3) the implementation of measures referred to in Article 259, paragraphs (6) to (12) of this Act on the EU parent credit institution;

4) the implementation of measures referred to in Article 259, paragraphs (6) to (12) of this Act on the subsidiary member of the group of credit institutions in the EU;

(5) The joint decision shall be reached within four months of the date of the transmission by the consolidating supervisor of the group recovery plan for the group of credit institutions in the EU to the competent authorities of other Member States.

(6) The decision referred to in paragraph (5) of this Article must be written and fully reasoned.

(7) If the Croatian National Bank is the consolidating supervisor, it shall deliver the decision referred to in paragraph (5) of this Article to the parent credit institution for which it is the competent authority.

(8) In the process of reaching a joint decision referred to in paragraph (5) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(9) Based on the decision referred to in paragraph (5) of this Article, the Croatian National Bank shall adopt a decision and deliver it to the member of the group of credit institutions in the EU for which the Croatian National Bank is the competent authority.

(10) If a joint decision referred to in paragraph (5) of this Article is not reached within four months of the date when the consolidating supervisor transmitted the group recovery plan to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the EU:

1) the Croatian National Bank, where it is the consolidating supervisor, shall make its own decision referred to in Article 259, paragraphs (6) and (8) of this Act for the parent credit institution within its competence, taking into account the expressed views and reservations of these competent authorities, and shall notify the decision to the parent credit institution within its competence and to the competent authorities.

2) the Croatian National Bank, where it is not the consolidating supervisor, shall make its own decision referred to in paragraph (4), items (2) and (4) of this Article.

(11) By way of derogation from paragraph (10) of this Article, if, at the end of the four-month period of the date when the consolidating supervisor transmitted to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the EU the group recovery plan for that group and prior to the reaching of a joint decision, the Croatian National Bank or any of the competent authorities of another Member State where head offices are located of other undertakings included in the group of credit institutions in the EU refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in taking a joint decision on the assessment of the recovery plan or imposing the measures referred to in Article 259, paragraph (12), item (1), (2) or (4) of this Act and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(12) In the case referred to in paragraph (11) of this Article, if the European Banking Authority does not reach a decision within one month, the Croatian National Bank shall take its own decision referred to in paragraph (10) of this Article for credit institutions within its competence, taking into account the expressed views and reservations of these competent authorities and shall notify the decision to the parent credit institution within its competence and the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the EU.

(13) The Croatian National Bank and other competent authorities which do not disagree with the reaching of a joint decision referred to in paragraph (5) of this Article may reach a joint decision on a group recovery plan for the group of credit institutions covering members of the group under their competence.

(14) The decisions referred to in this Article shall be binding for all competent authorities of the Member States where head offices are located of undertakings included in the group of credit institutions in the RC.

CHAPTER II
GROUP FINANCIAL SUPPORT AGREEMENT

Group financial support agreement

Article 262

(1) An RC parent credit institution, an EU parent credit institution having its head office in the RC, an RC parent financial holding company, an EU parent financial holding company having its head office in the RC, an RC parent mixed financial holding company, an EU parent mixed financial holding company having its head office in the RC, an RC parent mixed-activity holding company, an EU parent mixed-activity holding company having its head office in the RC and their subsidiaries that are credit institutions, investment firms or financial institutions covered by the consolidated supervision in accordance with this Act, may conclude a group financial support agreement of a group of credit institutions in the RC in order to ensure mutual financial support when one or more signatories to the agreement meet the conditions for early intervention in accordance with Article 271 of this Act.

(2) A credit institution may, in order to ensure mutual financial support when one or more of the signatories to the agreement meet the conditions for early intervention in accordance with Article 271 of this Act, conclude a group financial support agreement of a group of credit institutions in the EU with the following undertakings:

1) an EU parent credit institution with a head office outside the RC;

2) an EU parent financial holding company with a head office outside the RC;

3) an EU parent mixed financial holding company with a head office outside the RC;

4) an EU parent mixed-activity holding company with a head office outside the RC; or

5) a subsidiary of the undertakings referred to in items (1) to (4) of this paragraph with a head office outside the RC, which is a credit institution, an investment firm or a financial institution.

(3) The undertakings referred to in paragraphs (1) and (2) of this Article may conclude a group financial support agreement only if at the time of its proposal or conclusion none of the signatories to the agreement is in the early intervention phase.

(4) The provisions of this Title shall not apply to other intragroup financing agreements within a group of credit institutions in the RC or a group of credit institutions in the EU in which none of the signatories to the agreement is in the early intervention phase at the time when the agreement is concluded, and which are not concluded for the purpose of ensuring mutual financial support when one or more signatories to the agreement meets the conditions for early intervention in accordance with Article 271 of this Act.

(5) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution to provide financial support to another member of a group of credit institutions that experiences financial difficulties if all of the following conditions are met:

1) if it decides to do so on a case by case basis;

2) if the provision of such financial support is in accordance with the policies of the group of credit institutions; and

3) if the provision of such financial support does not represent a risk for the whole group of credit institutions.

(6) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution which is a member of a group credit institutions in the RC or of a group of credit institutions in the EU to operate in the territory of the Republic of Croatia.

(7) The agreement referred to in paragraph (1) or (2) of this Article may provide financial support:

1) from the parent undertaking to subsidiaries;

2) from subsidiaries to the parent undertaking;

3) from a subsidiary to another subsidiary of the group; or

4) intragroup within a group of credit institutions in any other combination that is not covered by items (1) to (3) of this paragraph.

(8) The provider of financial support may provide financial support in one or more transactions in one of the following manners:

1) in the form of a loan or credit;

2) in the form of guarantees or other commitments;

3) in the form of a lien or through the transfer of title as collateral; or

4) combination of items (1) to (3) of this paragraph.

(9) The form of financial support referred to in paragraph (8) of this Article shall apply to legal arrangements among signatories to the group financial support agreement, as well as to legal arrangements with third parties.

(10) In the group financial support agreement, the provider of financial support may require from the beneficiary of the support to commit to reciprocal provision of financial support to that provider of the financial support.

(11) The signatories to the group financial support agreement shall specify the principles for the calculation of interest rates and other charges for each transaction made under the agreement, whereby the interest rates and other charges shall be set at the time of the provision of financial support. When entering into the agreement and specifying the principles for the calculation of interest rates and other charges, the signatories to the agreement shall comply with the following principles:

1) each signatory to the agreement must be acting freely when entering into the agreement;

2) each signatory to the agreement must be acting in its own best interest which may take into account any direct or any indirect benefit that may accrue to the signatory to the agreement as a result of the provision of the financial support;

3) each beneficiary of financial support shall disclose all relevant information to the provider of the financial support prior to the determination of interest rates and other charges for the provision of financial support and prior to the reaching of the decision to provide financial support;

4) in determining interest rates and other charges for the provision of financial support the provider of financial support may take into account information available to the provider of the financial support based on it being in the same group of credit institutions as the beneficiary of financial support and which is not publicly available; and

5) the principles of calculating interest rates and other charges for the provision of financial support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the operation of that group of credit institutions.

(12) Only signatories to the group financial support agreement may meet the obligations arising pursuant to that agreement. The obligations arising pursuant to the group financial support agreement may be met only to the signatory to that agreement.

Review of proposed group financial support agreements

Article 263

(1) An EU parent credit institution having its head office in the RC shall submit to the Croatian National Bank as the consolidating supervisor an application for authorisation of the group financial support agreement by the group of credit institutions in the EU (hereinafter referred to as 'financial support agreement in the EU'). The proposed text of the agreement and identity of members of the group of credit institutions in the RC that propose to be signatories to the agreement shall be enclosed with the application.

(2) Where the Croatian National Bank is not the consolidating supervisor of the group of credit institutions in the EU, it shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on whether the conditions referred to in Article 266, paragraph (1) of this Act for the conclusion of the group financial support agreement of the group of credit institutions in the EU are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the EU, including its fiscal consequences.

(3) The Croatian National Bank as the consolidating supervisor shall without delay forward the application referred to in paragraph (1) of this Article to the competent authority of another Member State where the head office is located of the subsidiary that proposes to be a signatory to the financial support agreement in the EU.

(4) The credit institution referred to in paragraph (2) shall notify the Croatian National Bank of its intention to conclude a financial support agreement in the EU and shall not conclude such an agreement if no authorisation for the conclusion of the support agreement in the EU was granted by the consolidating supervisor to its parent credit institution.

(5) The Croatian National Bank and the competent authorities of other Member states where head offices are located of subsidiaries that propose to be signatories to the financial support agreement in the EU shall cooperate with a view to reaching a joint decision on whether the conditions for the conclusion of the financial support agreement referred to in Article 266, paragraph (1) of this Act are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the EU, including its fiscal consequences.

(6) The joint decision referred to in paragraph (5) of this Article shall be reached within a period of four months of receipt of the application referred to in paragraph (1) of this Article by the Croatian National Bank.

This decision must be written and fully reasoned. The Croatian National Bank shall notify this decision to the applicant.

(7) Where the joint decision referred to in paragraph (5) of this Article is reached that the conditions referred in Article 266, paragraph (1) of this Act are met, the Croatian National Bank shall, pursuant to that decision, grant the authorisation for the conclusion of the support agreement in the EU and deliver it to the applicant.

(8) Where the joint decision referred to in paragraph (5) of this Article is reached that the conditions referred in Article 266, paragraph (1) of this Act are not met, the Croatian National Bank shall, pursuant to that decision, refuse the application for the authorisation of the support agreement in the EU and deliver the decision on the refusal of the application to the applicant.

(9) In the process of reaching a joint decision referred to in paragraph (5) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(10) Where the joint decision referred to in paragraph (5) of this Article is not reached within the set time limit, the Croatian National Bank as the consolidating supervisor shall make its own decision on the application referred to in paragraph (1) of this Article, taking into account the expressed views and reservations of other competent authorities. The Croatian National Bank shall notify this decision to the applicant and the other competent authorities of the Member States where the head offices are located of subsidiaries that propose to conclude the agreement.

(11) The Croatian National Bank may within the period of four months of receipt of the application refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(12) By way of derogation from paragraph (10) of this Article, where within four months of receipt of the application referred to in paragraph (1) of this Article by the Croatian National Bank, the Croatian National Bank or any of the competent authorities of other Member States refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 Regulation (EU) No 1093/2010 and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(13) The credit institution referred to in paragraph (1) of this Article shall not conclude a financial support agreement in the RC without the authorisation of the Croatian National Bank.

Approval of the financial support agreement by the general assembly

Article 264

(1) After the parent credit institution obtains the authorisation for the conclusion of the financial support agreement in the EU from the Croatian National Bank or another relevant consolidating supervisor, the management board of the credit institution proposing to conclude the support agreement shall obtain the approval of the general assembly.

(2) The agreement referred to in paragraph (1) of this Article shall have legal effects only in respect of a member of a group of credit institutions whose general assembly has authorised its management board to make its own decision on whether the undertaking shall provide or receive financial support in accordance with the terms of the agreement.

(3) Where the general assembly authorises the management board of the undertaking in accordance with paragraph (2) of this Article, the provisions of the undertaking's Articles of Association or of the decision of the supervisory board laying down that certain types of activities may be performed only with the prior approval of that board shall not apply if such provisions or decisions would limit the management board in deciding whether the undertaking shall provide or receive financial support.

(4) The general assembly may withdraw the authorisation referred to in paragraph (2) of this Article, in which case the financial support agreement shall not have legal effects on that undertaking.

(5) The credit institution shall without delay deliver the decision of the general assembly to authorise the management board and the decision to withdraw the authorisation to the Croatian National Bank and all signatories to that agreement.

(6) The management board of a credit institution which is a signatory to the agreement shall report on an annual basis at a minimum to the general assembly on the performance of the agreement and on the implementation of any decision taken pursuant to the agreement.

(7) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall ensure that all members of a group of credit institutions in the RC proposing to conclude the agreement, which are not credit institutions or investment firms, act in accordance with the provisions of this Chapter.

Transmission of the financial support agreements to resolution authorities

Article 265

(1) Credit institutions shall without delay notify the Croatian National Bank of the conclusion of a financial support agreement and supply it with copies thereof.

(2) The Croatian National Bank shall without delay deliver the financial support agreement referred to in paragraph (1) of this Article to the resolution authorities.

(3) Where the Croatian National Bank is the consolidating supervisor, it shall transmit the financial support agreement referred to in paragraph (1) of this Article to resolution authorities of the Member States where head offices are located of the members of the group of credit institutions in the RC that are signatories to the agreement.

Conditions for providing financial support

Article 266

(1) A credit institution may provide financial support only if all of the following conditions are met:

1) the financial support provided will significantly redress the financial difficulties of the beneficiary of the support;

2) the objective of the financial support is to preserve or restore financial stability of the group as a whole or any of the signatories to the agreement or it is in the interest of the provider of the support;

3) the financial support is provided on terms, including interest rates and other charges, referred to in Article 262, paragraph (11) of this Act;

4) on the basis of the information available to the management board of the provider of the financial support at the time when the decision to grant financial support is taken, it is reasonable to expect that the beneficiary of the financial support will pay the interest rate and charges for the support, or if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed. Where the financial support is given in the form of a guarantee, other commitment or any other form, the same condition shall apply to the liability arising for the beneficiary of the support if the payment has been executed pursuant to a guarantee, other commitment or enforcement of another form of support;

5) the provision of the financial support would not jeopardise the liquidity or solvency of the provider of the support;

6) the provision of the financial support would not create a threat to financial stability of the Republic of Croatia or financial stability of another Member State where the head office is located of another signatory to the agreement;

7) the provider of the financial support at the time when the support is provided, complies with the requirements of Regulation (EU) No 575/2013 and Title VII of this Act relating to capital and liquidity and any of the requirements imposed pursuant to Articles 102, 105, 110, 107 and 140 of this Act and the provision of the support shall not cause infringement of those requirements;

8) the provider of the financial support at the time when the support is provided complies with the requirements of Regulation (EU) No 575/2013 and this Act relating to large exposures and the provision of the support shall not cause infringement of those requirements; and

9) the provision of the financial support would not undermine the resolvability of the provider of the support.

(2) By way of derogation from paragraph (1) of this Article, the credit institution may provide financial support if the conditions referred to in paragraph (1), item (7) or (8) of this Article are not met, provided it has obtained the authorisation of the Croatian National Bank referred to in Article 268, paragraph (6) of this Act.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions referred to in paragraph (1) of this Article and the conditions under which the Croatian National Bank may grant or partially grant the application referred to in Article 268, paragraph (1) of this Act.

Decision to provide financial support

Article 267

(1) The decision to provide financial support shall be taken by the management body of the group entity providing financial support

(2) The decision referred to in paragraph (1) of this Article must be fully reasoned and indicate the objective of the proposed financial support and shall indicate how the provision of the support complies with the conditions referred to in Article 266, paragraph (1) of this Act.

(3) The decision to receive financial support shall be taken by the management body of the beneficiary of the support.

Authorisation of the Croatian National Bank to provide financial support

Article 268

(1) A credit institution may provide financial support in accordance with the concluded financial support agreement if it obtained the authorisation to provide financial support from the Croatian National Bank.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC referred to in this Act shall notify the Croatian National Bank if its subsidiary intends to provide financial support.

(3) A credit institution that intends to provide financial support shall notify the following in advance:

1) the consolidating supervisor;

2) the competent authority of the beneficiary of the support; and

3) the European Banking Authority.

(4) The application for the authorisation referred to in paragraph (1) of this Article shall be deemed valid where all of the following conditions are met:

a) the application shall contain details of the proposed financial support and explanations thereof;

b) a copy of the decision of the management board to provide financial support referred to in Article 267, paragraph (1) of this Act shall be enclosed with the application; and

c) a credit institution shall deliver to the Croatian National Bank a copy of the financial support agreement in accordance with Article 265, paragraph (1) of this Act.

(5) The Croatian National Bank shall adopt a decision on the application at the latest within five working days of receipt of the valid application referred to in paragraph (4) of this Act. If the Croatian National Bank fails to adopt a decision on an application within the set time limit, it shall be deemed that it has granted authorisation for the provision of financial support.

(6) The Croatian National Bank shall grant authorisation for the provision of financial support to a credit institution if the conditions referred to in Article 266, paragraph (1) of this Act are met.

(7) Where it deems that the conditions referred to in Article 266, paragraph (1) of this Act are not met, the Croatian National Bank shall refuse the application referred to in paragraph (4) of this Act.

(8) Where the Croatian National Bank deems the conditions referred to in Article 266, paragraph (1) of this Act as partially met, the Croatian National Bank may partially grant the application referred to in paragraph (4) of this Article.

(9) By way of derogation from paragraph (7) of this Article, if the conditions referred to in Article 266, paragraph (1), item (7) or (8) of this Act are not met, the Croatian National Bank may grant or partially grant the application referred to in paragraph (4) of this Article. In such a case the Croatian National Bank shall set in its decision a time limit in which the credit institution is obligated to restore compliance of its operations with the requirements set out in these items.

(10) The Croatian National Bank shall without delay notify the following of the decision referred to in paragraphs (6) to (9) of this Article:

1) the consolidating supervisor;

2. the competent authority of the beneficiary of the support; and

3) the European Banking Authority.

(11) Where the Croatian National Bank receives a decision of the consolidating supervisor or any other competent authority on the refusal or partial granting of the application to provide support, it may within the period of two days refer the matter to the European Banking Authority and request its assistance in accordance with Article 31 of Regulation (EU) No 1093/2010.

(12) Where the application to provide financial support, based on the financial support agreement included in the recovery plan, is refused or partially granted by any competent authority of the signatory to the agreement, the Croatian National Bank shall:

1) as the consolidating supervisor, alone or at the request of another competent authority of the signatory to the agreement to which support is refused or partially granted, initiate a reassessment of the group recovery plan for the group of credit institutions in accordance with Article 259 of this Act;

2) in relation to the member of a group for which it is a competent authority and which is obligated to draw up a recovery plan on an individual basis, request delivery of a revised recovery plan.

(13) Where the Croatian National Bank is not the consolidating supervisor and the application for support to the credit institution in the Republic of Croatia is refused or partially granted, and the group recovery plan for the group of credit institutions includes a financial support agreement, the Croatian National Bank may request a reassessment of the group recovery plan for the group of credit institutions from the consolidating supervisor in accordance with Article 261 of this Act.

(14) Where the Croatian National Bank takes the decision referred to in paragraphs (6) to (9) of this Article or where it as a consolidating supervisor receives from another competent authority a notification of authorisation, restriction or prohibition of the provision of financial support it shall without delay notify other members of the college of supervisors and the members of the resolution college.

Notification of the decision to provide financial support and disclosure

Article 269

(1) After a credit institution obtains authorisation from the Croatian National Bank referred to in Article 268 of this Act, it shall notify the decision to provide financial support to:

1) the Croatian National Bank;

2) the consolidating supervisor;

3) the competent authority of the beneficiary of the support; and

4) the European Banking Authority.

(2) When the Croatian National Bank as the consolidating supervisor receives from the credit institution a decision to provide financial support, it shall without delay notify other members of the college of supervisors and of the resolution college.

(3) A credit institution shall make public and update at least annually the following information:

1) whether it concluded a financial support agreement in the EU;

2) general terms of any such financial support agreement in the EU; and

3) the names of other signatories to the agreement.

(4) An RC parent credit institution and an EU parent credit institution having its head office in the RC referred to in this Act shall for all members of a group of credit institutions in the RC which are not credit institutions having a head office in the Republic of Croatia make public and update at least annually the information referred to in paragraph (3) of this Article.

(5) Public disclosure referred to in paragraph (3) of this Article shall be made in accordance with Articles 431 to 434 of Regulation (EU) No 575/2013.

(6) A credit institution shall without delay, and at the latest within five working days of the date of disclosure, deliver the disclosed information referred to in paragraphs (3) and (4) to the Croatian National Bank.

Application of the provisions of this Act to support agreements

Article 270

(1) Articles 206 and 210 of this Act shall not apply to the support agreement referred to in this Chapter.

(2) The provisions of this Chapter shall apply to all amendments to support agreements.

CHAPTER III
EARLY INTERVENTION MEASURES

Early intervention measures

Article 271

(1) Where a credit institution infringes or, due, inter alia, to a rapidly deteriorating financial condition, including deteriorating liquidity situation, increasing level of leverage, non-performing loans or concentration of exposures, as assessed on the basis of a set of triggers, which may include the credit institution's own funds requirement plus 1,5 percentage points, is likely in the near future to infringe the requirements of Regulation (EU) No 575/2013 or the national regulations of the Member States transposing the provisions of Title II of Directive 2014/65/EU or any of Articles 3 to 7, 14 to 17, 24, 25 and 26 of Regulation (EU) No 600/2014, the Croatian National Bank shall, without prejudice to the measures referred to in Article 105 of this Act, where applicable, impose at least the following measures:

1) require the credit institution to implement one or more of the arrangements or measures set out in the recovery plan or to update such a recovery plan when the circumstances that led to the early intervention are

different from the assumptions set out in the initial recovery plan and implement one or more of the arrangements or measures set out in the updated plan within a specific timeframe, in order to ensure that the conditions causing the measures to be imposed no longer apply;

2) require the credit institution to examine the situation, identify measures to overcome any problems identified and draw up an action programme to overcome those problems and a timetable for its implementation;

3) require the credit institution to convene, or if the credit institution fails to comply with that requirement, convene directly, a meeting of shareholders, and in both cases set the agenda and require certain decisions to be considered for adoption by the shareholders;

4) require the credit institution to remove a member or members or appoint a new member or members of the management board, supervisory board or senior management if those persons are found unfit to perform their duties pursuant to the provisions of Title VI of this Act or the provisions of the regulation transposing Article 9 of Directive 2014/65/EU;

5) require the credit institution to draw up a plan for negotiation on restructuring of debt with some or all of its creditors according to the recovery plan, where applicable;

6) require the credit institution to change its business strategy;

7) require the credit institution to change its legal or operational structures;

8) acquire, including through on-site inspections, and provide to the resolution authority, all the information necessary in order to update the resolution plan and prepare for the possible resolution of the institution and for valuation of the assets and liabilities of the credit institution in accordance with the provisions of the law governing the resolution of credit institutions and investment firms.

(2) The Croatian National Bank shall notify the resolution authorities without delay upon determining that the conditions referred to in paragraph (1) of this Article have been met.

(3) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined.

(4) For each of the measures referred to in paragraph (1) of this Article, the Croatian National Bank shall set an appropriate deadline for completion and may evaluate the effectiveness of the measures once the deadline expires.

(5) In the appeal proceedings against the decision to impose measures referred to in this Article, the administrative court may not decide that the appeal has the effect of staying the execution nor issue a temporary measure.

(6) When imposing measures during early intervention in credit institutions for which the Single Resolution Board is directly responsible, the Croatian National Bank shall cooperate with the Single Resolution Board in the manner laid down in Articles 12j and 13 of Regulation (EU) No 806/2014.

Convening of the general assembly by the Croatian National Bank

Article 272

(1) Where the Croatian National Bank requires a credit institution to convene a general assembly pursuant to Article 271, paragraph (1), item (3) of this Act and the credit institution fails to fully and in a timely manner implement the measure laid down in the decision, the Croatian National Bank may convene a general assembly and propose its agenda and decisions to be adopted by the general assembly.

(2) For the purposes of the general assembly referred to in paragraph (1) of this Article, the Croatian National Bank shall prepare a report on the credit institution's operation based on the supervision exercised and disclose it to the shareholders.

(3) Where the Croatian National Bank convenes a general assembly pursuant to paragraph (1) of this Article in order to increase or decrease the initial capital, it shall prepare and submit a report referred to in Article 263, paragraph (3) of the Companies Act (Official Gazette 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13, 110/15, 40/19, 34/22, 114/22, 18/23, 130/23 and 136/24).

(4) The Croatian National Bank shall announce a general assembly referred to in paragraph (1) of this Article at least 30 days before its convening. The date of the announcement shall not be included in that period.

(5) Shareholders may neither submit counter-proposals nor add items to the agenda proposed by the Croatian National Bank.

Removal from office of a member of senior management or a member of the management board or supervisory board

Article 273

(1) The Croatian National Bank may take measures referred to in paragraph (2) of this Article if all of the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013, the credit institution's Articles of Association or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 271, paragraph (1) of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 271, paragraph (1) would not be sufficient to improve the position of the credit institution.

(23) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank may:

1) require the credit institution to remove from office one or all members of senior management of the credit institution;

2) require the credit institution to remove from office the chairperson or a member or members of the credit institution’s management board regardless of their compliance with the conditions referred to in Article 44 of this Act;

3) require the credit institution to remove from office a member or members the credit institution’s supervisory board regardless of their compliance with the conditions referred to in Article 48 of this Act;

4) withdraw the approval to perform the function of the chairperson or a member of the credit institution's management board regardless of their compliance with the conditions referred to in Article 44 of this Act;

5) withdraw the approval to perform the function of a member of the credit institution's supervisory board regardless of their compliance with the conditions referred to in Article 48 of this Act.

Deputy management or supervisory board member

Article 274

(1) The Croatian National Bank may adopt a decision to appoint a deputy management or supervisory board member if all of the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 271 of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 271 of this Act would not be sufficient to improve the position of the credit institution.

(2) In the case referred to in paragraph (1) of this Article the Croatian National Bank may appoint a deputy management board member to replace the removed member with all duties and responsibilities that the member had.

(3) In the case referred to in paragraph (1) of this Article, the Croatian National Bank may remove a deputy management or supervisory board member from office during his term of office and appoint another deputy management or supervisory board member.

(4) The decision to appoint one or more deputy management or supervisory board members shall specify:

1) duties and responsibilities of the deputy management or supervisory board member;

2) the term of office for which the deputy management or supervisory board member is appointed;

3) time limits for regular reporting; and

4) certain activities which the deputy management or supervisory board member may undertake only subject to prior approval of the Croatian National Bank, where necessary.

(5) The Croatian National Bank shall appoint a deputy management or supervisory board member for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the deputy management or supervisory board member, the Croatian National Bank shall justify its decision to the shareholders.

(6) Persons appointed as deputy management or supervisory board members shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest.

(7) The provisions of Title VI of this Act, with the exception of the provisions of Article 42, paragraphs (4) and (5) of this Act, shall not apply to a deputy management board or supervisory board member.

(8)) A deputy management or supervisory board member may be an employee of the Croatian National Bank or another person and shall have the right to receive remuneration for his work to be paid by the Croatian National Bank.

(9) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint a deputy member of the management or supervisory board of a credit institution under an emergency procedure, at the latest within 30 days of its receipt.

(10) The powers of a deputy management or supervisory board member shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator; or

5) of the appointment of resolution administration.

(11) The rights and responsibilities of a deputy management or supervisory board member shall begin on the date of the adoption of the decision to appoint a deputy management or supervisory board member regardless of the entry in the register of companies.

(12) Liability for damage caused by deputy management board members in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(13) The Croatian National Bank shall be responsible for the damage referred to in paragraph (12) of this Article.

(14) The Croatian National Bank shall be empowered to issue written orders and instructions to deputy management board members.

(15) The Croatian National Bank may in the decision to appoint a deputy management board member specify that the credit institution's management board may not adopt a decision if the decision is not voted for by the deputy management board member.

(16) Where the Croatian National Bank specified in the decision to appoint deputy management board members that the credit institution's management board may not adopt an individual decision if the decision is not voted for by the deputy management board member, this fact shall be entered in the register of companies as a limitation on the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(17) An application for entry of the limitations referred to in paragraph (16) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(18) Management and supervisory board members and all employees of the credit institution shall be required to cooperate with the deputy management board member.

Administrator

Article 275

(1) The Croatian National Bank may adopt a decision to appoint one or more administrators to work temporarily with the management or supervisory board of the credit institution if all of the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 271 of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred to in Article 271 of this Act would not be sufficient to improve the position of the credit institution.

(2) The Croatian National Bank may appoint as administrators persons who possess adequate knowledge and skills to perform their functions and are not in a conflict of interest. The provisions of Article 114, paragraphs (2) to (7) of this Act shall apply to the appointment of administrators.

(3) The Croatian National Bank shall make public the appointment of each administrator, except where the administrator does not have the power to represent the credit institution.

(4) The administrator referred to in paragraph (1) of this Article shall in addition to the duties and responsibilities of the trustee in accordance with Articles 114 to 118 of this Act have at least one of the following responsibilities:

1) providing prior approval for specific decisions of the credit institution's management and supervisory boards; or

2) consulting the credit institution's management and supervisory boards prior to taking decisions.

(5) The decision to appoint an administrator shall, based on what is proportionate in the circumstances, specify:

1) the role, duties and responsibilities of an administrator;

2) any requirements for the credit institution's management and supervisory boards to consult or to obtain the consent of the administrator prior to taking specific decisions;

3) the functions of an administrator, which may include ascertaining the financial position of the credit institution, managing the business or part of the business of the credit institution with a view to preserving or restoring the financial position of the credit institution and taking measures to restore sound and prudent management of the business of the credit institution;

4) any limits on the role and functions of the administrator;

5) the content and time limits for regular reporting on the financial position of the credit institution; and

6) other actions of the administrator subject to prior approval of the Croatian National Bank.

(6) Where the Croatian National Bank specified in the decision to appoint an administrator that the credit institution's management or supervisory board may carry out or adopt certain activities or decisions only with prior approval of the administrator, this fact shall be entered in the register of companies as a limitation of the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(7) An application for entry of the limitations referred to in paragraph (6) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(8) The Croatian National Bank may remove an administrator from office during his term of office and appoint another administrator and may change the conditions for the appointment of an administrator during his term of office.

(9) The Croatian National Bank may require and administrator to prepare reports on the financial position of the credit institution and actions taken during his term of office within the time limits laid down by the Croatian National Bank at the end of his term of office.

(10) The Croatian National Bank shall appoint an administrator for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in Article 271, paragraph (1) of this Act continue to be met. In the case of the extension of the term of office of the administrator, the Croatian National Bank shall justify its decision to the shareholders.

(11) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint an administrator of a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

(12)) Liability for damage caused by the administrator or assistants of the administrator in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(13) The Croatian National Bank shall be responsible for the damage referred to in paragraph (12) of this Article.

(14) The powers of the administrator shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator; or

5) of the appointment of resolution administration.

Decision to appoint special administration

Article 276

(1) The Croatian National Bank may adopt a decision to appoint special administration to a credit institution if all of the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 271 of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred to in Article 271 of this Act would not be sufficient to improve the position of the credit institution.

(2) The Croatian National Bank may in the decision to appoint special administration also appoint assistants to the special administration who will perform assistant, administrative and technical work ordered by the special administration.

(3) The decision to appoint special administration:

1) shall appoint a chairperson and members of the special administration and may establish the scope of activities to be performed and administered by each member of the special administration;

2.) shall appoint assistants to the special administration;

3) shall establish the period for which it is appointed;

4) shall establish the content of the submission of the reports referred to in Article 284 of this Act; and

5) may establish certain activities which the special administration may undertake only subject to prior approval of the Croatian National Bank.

(4) The Croatian National Bank shall appoint special administration for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the special administration, the Croatian National Bank shall justify its decision to the shareholders.

Legal remedy against a decision to appoint special administration

Article 277

The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint special administration to a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

Members and assistants of the special administration

Article 278

(1) Members and assistants of the special administration shall be appointed to and removed from office by the Croatian National Bank.

(2) The special administration of a credit institution shall have at least two members, one of which shall be appointed the chairperson of the special administration.

(3) During the period of the special administration, the Croatian National Bank may remove from office an appointed member or assistant of the special administration and may appoint a new member or assistant of the special administration whose term of office may not exceed the original term of office of the special administration.

(4) The rights and responsibilities of the members of the special administration shall begin on the date of delivery of the decision to appoint special administration to the credit institution regardless of the entry in the register of companies.

(5) Members of the special administration shall represent the credit institution individually.

(6) Persons appointed members of the special administration shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Title VI of this Act, with the exception of the provisions of Article 42, paragraphs (4) to (5) of this Act, shall not apply to members of the special administration.

(7) Members and assistants of the special administration may be employees of the Croatian National Bank or other persons and they shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(8) The term of office of a special administration shall be terminated on the date:

1) of expiry of the period laid down in the decision to appoint special administration;

2) of the removal from office of a special administration;

3) of the appointment of a liquidator;

4) of the appointment of a resolution administration; or

5) of the appointment of deputy management board members in accordance with Article 274 of this Act.

(9) The term of office of assistants to the special administration shall be terminated on the date of termination of the term of office of the special administration.

Entry in the register of companies and publication of a decision to appoint special administration

Article 279

(1) A decision to appoint special administration shall be entered in the register of companies. At the same time, the list of persons authorised to represent the credit institution shall also be changed accordingly.

(2) An application for entry of the data referred to in paragraph (1) of this Article shall be submitted by the special administration within three working days of the adoption of the decision to appoint special administration to the credit institution. The decision to appoint special administration shall be enclosed with the application.

(3) The Croatian National Bank shall deliver the decision to appoint special administration to the credit institution, and management and supervisory board members without delay.

Legal effects of a decision to appoint special administration

Article 280

(1) On the date of the delivery of a decision to appoint special administration to the credit institution, all rights and duties of the former management and supervisory boards shall cease and shall be entrusted to the special administration.

(2) On the date of the delivery of a decision to appoint special administration to the credit institution, all contracts pursuant to which former management board members were employed with the credit institution shall be terminated.

(3) On the date of the delivery of a decision to appoint special administration to the credit institution, prior approval to perform the function of the chairperson or a member of the credit institution's management board shall cease to be valid, as well as prior approval to perform the function of a credit institution's supervisory board member.

Liability for damage

Article 281

(1) Liability for damage caused by the special administration or its assistants in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(2) The Croatian National Bank shall be responsible for the damage referred to in paragraph (1) of this Article.

Duty to cooperate on the part of former management board members and other employees

Article 282

(1) Former members of the credit institution's management board and other authorised persons with special powers and responsibilities shall provide the special administration and its assistants immediate access to all business and other documentation of the credit institution and prepare a report on the transfer of operations to the special administration.

(2) Former members of the credit institution's management board shall provide the special administration or its individual member all explanations and additional reports on the credit institution's operation.

(3) All employees of the credit institution shall be required to cooperate with the special administration and its assistants.

(4) Members of the special administration shall have the right to dismiss persons who hinder their work and, as circumstances may require, request the assistance of the competent body of the Ministry of the Interior.

Activities of the special administration

Article 283

(1) The special administration shall direct the business of the credit institution.

(2) The Croatian National Bank shall be empowered to issue written orders and instructions to the special administration.

(3) When directing the business of the credit institution the special administration shall comply with the limitations arising from the decision of the Croatian National Bank to appoint special administration.

(4) Where during the term of office of the special administration the credit institution transfers deposit or credit contracts to another credit institution, such transfer may be effected without prior approval of the other contracting party to the contract being transferred.

Duties of the special administration

Article 284

(1) After its appointment the special administration shall prepare and deliver to the Croatian National Bank, within the time limit laid down by the Croatian National Bank, a report on the credit institution's financial position and operating conditions, including an assessment of its financial soundness and the prospects for its continued operation.

(2) By way of derogation from paragraph (1) of this Article, the special administration shall not be required to prepare and deliver the report referred to in paragraph (1) of this Article where the report has been prepared by the trustee pursuant to Article 114, paragraph (6) of this Act or administrator pursuant to Article 275, paragraph (9) of this Act immediately prior to the appointment of special administration.

(3) At the request of the Croatian National Bank, the special administration shall deliver additional reports and information on all matters relevant for the exercise of supervision or oversight and for assessing the credit institution's financial position and the prospects for its continued operation.

(4) The special administration shall without delay notify the Croatian National Bank without delay of all circumstances, and at the latest within five working days of becoming aware of such circumstances, which may contribute to the deterioration of the credit institution's financial position.

(5) The special administration shall act on the orders and instructions of the Croatian National Bank and regularly report to the Croatian National Bank on the execution of orders and instructions.

(6) The Croatian National Bank may order the special administration to convene the credit institution's general assembly with a set agenda and proposals of decisions.

(7) During the term of office of the special administration the general assembly of the credit institution may be convened only at the order or with prior approval of the Croatian National Bank. The special administration shall convene the general assembly at the latest within eight days of receipt of the order or prior approval from the Croatian National Bank referred to in paragraph (6) of this Article.

(8) The provisions of Article 272, paragraphs (4) and (5) of this Act shall apply to the convening of the general assembly.

Appointment of deputy management board members from among the supervisory board members

Article 285

(1) Where the general assembly of a credit institution to which special administration has been appointed adopted a decision to select or appoint the new supervisory board members, until the appointment of the new management board members but not longer than three months, the rights and duties of the credit institution's management board shall be given to two supervisory board members appointed as deputy management board members by the supervisory board.

The supervisory board shall appoint deputy management board members within two working days of the date of its appointment and shall without delay notify the Croatian National Bank thereof.

(3) Where the Articles of Association of a credit institution provide for the supervisory board to have three members, the general assembly shall select or appoint to the new supervisory board five members of which two with the term of office until the appointment of new management board members.

Imposing measures in the early intervention phase where the Croatian National Bank is the consolidating supervisor

Article 286

(1) Where any of the conditions referred to in Article 271 of this Act or the condition for the appointment of a deputy management or supervisory board member, administrator or special administration to a RC parent credit institution and an EU parent credit institution having its head office in the RC are met, the Croatian National Bank as a consolidating supervisor shall notify the European Banking Authority and consult the other competent authorities within the college of supervisors on the fulfilment of the said conditions and the intention to impose the measure referred to in Article 271, paragraph (1) of this Act on the credit institution.

(2) Following the notification referred to in paragraph (1) of this Article, the Croatian National Bank may impose on the EU parent credit institution having its head office in the RC the measure referred to in Article 271, paragraph (1) or appoint a deputy management or supervisory board member, administrator or special administration referred to in Articles 275, 276 and 277 of this Act upon receipt of a statement from other competent authorities within the college of supervisors or after the expiry of the time limit for submitting the statement. The Croatian National Bank shall set the time limit for submitting the statement, which may not be longer than five days.

(3) Prior to reaching a decision on the measure referred to in paragraph (2) of this Article, the Croatian National Bank shall take into account the impact of this measure on the members of the credit institution in the RC and other Member States.

(4) The Croatian National Bank shall notify other competent authorities within the college of supervisors and the European Banking Authority of the measure referred to in paragraph (2) of this Article.

(5) If the competent authority of another Member State where the head office is located of a subsidiary of the EU parent credit institution having its head office in the RC intends to apply any of the measures provided for in a national regulation whose content is equivalent to the content of the measures referred to the Articles 27 and 29 of Directive 2014/59/EU to that subsidiary and has notified the Croatian National Bank as a consolidating supervisor thereof, the Croatian National Bank may state its opinion on the intended measures and assess the impact of these measures on the EU parent credit institution having its head office in the RC, the group of credit institutions in the RC and other members of the group and notify the competent authority thereof within three days of receipt of the notification.

(6) Where the Croatian National Bank intends to appoint a deputy management or supervisory board member, administrator or special administration or to impose the measure referred to in Article 271, paragraph (1) of this Act on the EU parent credit institution having its head office in the RC, and where it receives a notification from one or more competent authorities of other Member States referred to in paragraph (5) of this Article, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC, in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned.

(7) The joint decision referred to in paragraph (6) of this Article shall be reached within five days of the date when the Croatian National Bank delivered the notification of all intended measures. It must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(8) Where the Croatian National Bank received the notification referred to in paragraph (5) of this Article from more than one competent authority of other Member States, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC, in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned.

(9) In the process of reaching a joint decision referred to in paragraph (6) or (8) of this Article, the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(10) In the event of a disagreement on the adoption of a joint decision referred to in paragraph (6) of this Article and the competent authority of another Member State where the head office is located of a subsidiary of an EU parent credit institution having its head office in the RC intends to adopt measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Article 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU within the consultation period referred to in paragraph (7) of this Article, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010.

(11) If the joint decision referred to in paragraph (6) of this Article is not reached within the time limit referred to in paragraph (7) of this Article, the Croatian National Bank shall make its own decision relating to the EU parent credit institution having its head office in the RH, taking into account the expressed views and reservations of other competent authorities and the potential impact of these measures on the financial stability of the Member States concerned, and it shall deliver this decision to the EU parent credit institution having its head office in the RC.

(12) By way of derogation from paragraph (2) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (11) of this Article, any of the competent authorities of other Member States refers the matter to the European Banking Authority and requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in conformity with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(13) By way of derogation from paragraphs (6) and (12) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (11) of this Article, the Croatian National Bank or any of the competent authorities of other Member States refers the matter to the European Banking Authority and requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in conformity with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(14) The Croatian National Bank, for the purpose of accessibility of information at the European single access point (ESAP), established pursuant to Regulation (EU) 2023/2859, communicates information on the measures imposed in accordance with the provisions of this Article.

(15) The information referred to in paragraph (14) of this Article shall meet the following requirements:

1) it is submitted in a data extractable format, as defined in Article 2, item (3) of Regulation (EU) 2023/2859;

2) it is accompanied by the following metadata:

a) the names of the relevant institution to which the information relates;

b) the identifier of the credit institution, where available, as set out in Article 7, paragraph (4), item (b) of Regulation (EU) No 2023/2859;

c) it is the type of information complying with the classification in accordance with Article 7, paragraph (4), item (c) of Regulation (EU) No

d) it is specified whether the information contains personal data

Imposing measures in the early intervention phase where the Croatian National Bank is not the consolidating supervisor

Article 287

(1) Where the competent authority of another Member State is also the consolidating supervisor, the Croatian National Bank may, at the request of the consolidating supervisor, state its opinion in the process of taking a decision on the imposition of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in in Articles 27 and 29 of Directive 2014/59/EU concerning the EU parent credit institution.

(2) Where the Croatian National Bank intends to impose the measure referred to in Article 271, paragraph (1) of this Act on the credit institution having its head office in the Republic of Croatia, which is a subsidiary of an EU parent credit institution, it shall notify the consolidating supervisor and the European Banking Authority thereof.

(3) After consulting the consolidating supervisor which may not last longer than three days, the Croatian National Bank shall take its own decision referred to in paragraph (2) of this Article, taking into account the views of the consolidating supervisor. The Croatian National Bank shall notify the consolidating supervisor and other competent authorities within the college of supervisors and the European Banking Authority of that decision.

(4) Where more than one competent authority intends to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group of credit institutions in the EU, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on the possible coordination of the application of measures or appointment of the same temporary administrator provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group.

The joint decision referred to in paragraph (4) of this Article shall be reached within five days of receipt of the notification from the consolidating supervisor on the intention to impose some of these measures in more than one member of the group.

(6) In the process of reaching a joint decision referred to in paragraph (4) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(7) In the event of a disagreement on the adoption of the decision referred to in paragraph (3) of this Article, which relates to the measures referred to in Article 271 of this Act whose content corresponds to the content of the measures referred to in Article 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive

2014/59/EU and where the consolidating supervisor referred the matter to the European Banking Authority and requested its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010, and where the European Banking Authority took the decision within three days of receipt of the application for assistance, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority.

(8) Where the joint decision referred to in paragraph (4) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision to apply measures to the credit institution with a head office in the RC which is a subsidiary of a credit institution in the EU.

(9) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within the set consultation period and upon receipt of the notification from the consolidating supervisor on the intention to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Article 27, paragraph (1), item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU to the EU parent credit institution if it disagrees with the proposal of the consolidating supervisor.

(10) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within five days of receipt of the notification from the consolidating supervisor where there is a disagreement on the adoption of the joint decision referred to in paragraph (4) of this Article.

(11) Where the European Banking Authority took the decision within three days of receipt of the application for assistance referred to in paragraph (10) of this Article, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) 1093/2010.

Decision to appoint a special management of a third-country branch

Article 288

(1) The Croatian National Bank shall adopt a decision to appoint a special management of a third-country branch in the Republic of Croatia (hereinafter referred to as 'decision on a special management') in the following cases:

1) where a third-country branch was ordered to implement supervisory measures and it failed to begin implementing such measures or failed to implement such measures in a timely manner, owing to which its continued operation could jeopardise its liquidity or solvency, and it is necessary to protect the interests of its creditors;

2) where a third-country branch, despite the supervisory measures imposed, fails to meet any of the capital ratios referred to in Article 92 of Regulation (EU) No 575/2013; or

3) where continued operation of a third-country branch would or could jeopardise its liquidity or solvency and it is necessary to protect the interests of its creditors.

(2) By way of derogation from the provisions of paragraph (1) of this Article, where the Croatian National Bank establishes the existence of facts indicating a high probability of improvement of the branch's position, it may postpone the adoption of a decision on a special management.

(3) A special management shall be appointed by a decision of the Croatian National Bank. The decision shall establish the reasons for the appointment of the special management in the case in point, the names of special management members, the scope of activities to be performed and/or administered by each member of the special management, and the duration of the special management, which shall not exceed one year from the date of the adoption of the decision.

(4) The Croatian National Bank shall appoint special administration for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the special administration, the Croatian National Bank shall justify its decision to the shareholders.

(5) The Croatian National Bank shall be competent to issue instructions to the special management for directing the business of the branch and stablish certain activities which the special administration may undertake only subject to prior approval of the Croatian National Bank.

Legal remedy against a decision on a special management of a third-country branch

Article 289

(1) The former management of a third-country branch and the founder of the branch referred to in Article 70, paragraph (3) of this Act shall have the right to appeal against the Croatian National Bank's decision on the special management to the administrative court within 30 days of the delivery of the decision in question.

(2) The competent administrative court shall decide on the appeal referred to in paragraph (1) of this Article under an emergency procedure and at the latest within 30 days of its receipt.

Application of the provisions of this Act to the special management of a third-country branch

Article 290

The provisions of Articles 278 and 279 and Articles 282 to 285 of this Act shall apply *mutatis mutandis* to the special management of a third-country branch.

TITLE XX
OTHER EXPOSURES AND PRIOR ASSESSMENT

Prior assessment of the proposed acquisition of a material holding

Article 291

(1) A credit institution, financial holding company or a mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National (hereinafter referred to as 'proposed acquirer') shall notify the Croatian National Bank of each intended acquisition, to be carried out by concluding a legal agreement or by establishing an undertaking or a legal person, by which, gradually or immediately, they intend to acquire (hereinafter referred to as 'proposed acquisition'), directly or indirectly, a holding of 15% or more in their eligible capital (hereinafter referred to as 'material holding').

(2) The notification referred to in paragraph (1) of this Article must be made in writing and contain the scope of the intended acquisition, as well as the information and documentation prescribed in the subordinate legislation referred to in Article 292, paragraph (8) of this Act.

(3) The Croatian National Bank shall publish on its website the information and documentation referred to in paragraph (2) of this Article, which are to be attached to the notification referred to in paragraph (1) of this Article and which are proportionate and adequate to the nature of the proposed status change and relevant for the prudential assessment pursuant to this Article.

(4) Where the proposed acquirer is a credit institution, the size of the holding referred to in paragraph (1) of this Article shall be calculated on an individual basis and on a consolidated basis of the group of credit institutions of which that credit institution is a member.

(5) Where the proposed acquirer is a financial holding company or a mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank, the size of the holding referred to in paragraph (1) of this Article shall be calculated on a consolidated basis of the group of which that holding company is a member.

(6) Where the proposed acquirer is a credit institution, the notification referred to in paragraph (1) of this Article shall be assessed by the Croatian National Bank, and where the proposed acquirer is a financial holding company or a mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank the assessment of the notification referred to in paragraph (1) of this Article shall be carried out by the Croatian National Bank only if it is at the same time the consolidating supervisor.

(7) In case of a material holding on a consolidated basis, the proposed acquirer shall also inform the consolidating supervisor, which shall also carry out an assessment of the proposed acquisition.

(8) Where the notification contains all the information referred to in paragraph (2) of this Article, the Croatian National Bank shall within ten working days of receipt of the notification referred to in paragraph (1) of this Article acknowledge to the proposed acquirer, in writing, the receipt of the notification, setting out the date of the expiry of the assessment period.

(9) Where the notification fails to contain all the information referred to in paragraph (2) of this Article, the Croatian National Bank shall invite the credit institution within a reasonable time frame to supplement the notification.

(10) The Croatian National Bank shall carry out the assessment referred to in paragraph (6) of this Article within 60 working days of the date of acknowledgement referred to in paragraph (8) of this Article.

(11) By way of derogation from paragraph (10) of this Article, where the proposed acquisition concerns a qualifying holding in a credit institution as referred to in Article 31, paragraph (1) of this Act, the proposed acquirer shall also be subject to the notification requirement and the assessment under that Article, in which case the time limit referred to in paragraph (10) of this Article shall expire only when the later of the two relevant assessment periods expires.

(12) By way of derogation from paragraph (10) of this Article, the Croatian National Bank shall not be required to carry out the assessment of the notification where the acquisition of a material holding is conducted between entities of the same group as referred to in Article 113, paragraph (6) of Regulation (EU) No 575/2013 or between entities within the same institutional protection scheme as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013.

(13) During the assessment period, and no later than on the 50th working day of the acknowledgement referred to in paragraph (8) of this Article, the Croatian National Bank may request in writing from the proposed acquirer additional information and documentation.

(14) In the case referred to in paragraph (13) of this Article, the proposed acquirer shall deliver the requested information and documentation within the time limit specified by the Croatian National Bank, which may not be longer than 20 working days; the time limit referred to in paragraph (10) of this Article shall not run during this period.

(15) Upon receipt of the additional information and documentation referred to in paragraph (13) of this Article, the Croatian National Bank shall acknowledge to the proposed acquirer, in writing, the receipt of the additional information and documentation, setting out the new date of the expiry of the assessment period.

(16) The Croatian National Bank may subsequently request for the completion or clarification of the submitted information, but such request may not extend the time limit referred to in paragraph (10) of this Article.

(17) By way of derogation from paragraph (14) of this Article, the Croatian National Bank may set a time limit of up to 30 working days in the following cases:

1) where an acquirer of a material holding has its domicile or head office in a third country or is regulated in a third country; or

2) where the exchange of information with the competent supervisory authority responsible for supervision in the area of the prevention of money laundering and terrorist financing is necessary to carry out the assessment.

(18) Where the Croatian National Bank decides to oppose the proposed acquisition it shall deliver a fully reasoned decision to the proposed acquirer within two working days of the date of its adoption and within the time limit referred to in paragraph (10) of this Article.

(19) Where the Croatian National Bank fails to deliver the decision referred to in paragraph (18) of this Article within the time limit referred to in paragraph (10) of this Article, the proposed acquisition shall be deemed approved.

(20) Where the Croatian National Bank decides not to oppose the proposed acquisition it may specify by a decision a maximum period for completing the proposed acquisition and extend this deadline if it deems necessary.

(21) The rules of determining the size of the holding by an indirect acquirer shall be applied for the purpose of determining the size of the indirect holding referred to in this Article in accordance with the subordinate legislation adopted under Article 36, paragraph (10) of this Act.

Deciding on the notification of the proposed acquisition

Article 292

(1) In assessing the notification of the proposed acquisition, the Croatian National Bank shall assess the prospect for sound and prudent management by the proposed acquirer, in particular, of the risks to which the proposed acquirer is or might be exposed after the proposed acquisition.

(2) The Croatian National Bank shall carry out the assessment referred to in paragraph (1) of this Article in accordance with the following criteria:

1) whether the credit institution will be able to comply and continue to comply with the provisions of this Act and Regulation (EU) No 575/2013 and, where applicable, other regulations of the Republic of Croatia and the European Union; and

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

(3) In assessing the criteria referred to in paragraph (2), item (2) of this Article, the Croatian National Bank shall seek the opinion of the competent supervisory authority responsible for supervision in the area of the prevention of money laundering and terrorist financing.

(4) The Croatian National Bank shall adopt a decision opposing the proposed acquisition where, based on the criteria referred to in paragraph (2) of this Article, it assesses that the proposed acquirer will not be able to ensure sound and prudent management, in particular of the risks to which the proposed acquirer is or might be exposed after the proposed acquisition, or where the notification of the proposed acquisition is not supplemented even after the invitation to supplement the notification referred to in Article 291, paragraph (9) of this Act.

(5) In assessing the criteria referred to in paragraph (2), item (2) of this Article, the Croatian National Bank shall take into account a negative opinion provided in writing by the competent supervisory authority responsible for supervision in the area of the prevention of money laundering and terrorist financing, received within 30 working days from the date when the opinion was sought, and this opinion may constitute a ground for adopting a decision to oppose the proposed acquisition.

(6) In assessing the notification the Croatian National Bank shall neither impose any prior conditions relating to the size of the holding the acquirer intends to acquire nor examine the notification of the proposed acquisition in terms of the economic needs of the market.

(7) If the Croatian National Bank receives two or more notifications of the proposed acquisition in the same entity, it shall treat all the proposed acquirers in a non-discriminatory manner.

(8) The Croatian National Bank shall adopt subordinate legislation to further regulate the criteria based on which it assesses the notification of the proposed acquisition of a material holding, the manner of submitting the notification of the proposed acquisition of a material holding; and the information and documentation accompanying the notification of the proposed acquisition of a material holding.

Assessment of the proposed acquisition of a material holding

Article 293

(1) Prior to deciding on the proposed acquisition, the Croatian National Bank shall consult other supervisory authorities where the proposed acquisition concerns one of the following:

1) a credit institution, an insurance or reinsurance undertaking, an investment firm or an asset management company authorised in another Member State or in a sector other than that of the proposed acquirer;

2) a parent undertaking of a credit institution, an insurance or reinsurance undertaking, an investment firm or an asset management company authorised in another Member State or in a sector other than that of the proposed acquirer; or

3) a legal person controlling a credit institution, an insurance or reinsurance undertaking, an investment firm or an asset management company authorised in another Member State or in a sector other than that of the proposed acquirer.

(2) Where the proposed acquirer is a credit institution and the Croatian National Bank is not the consolidating supervisor, and where the threshold referred to in Article 291, paragraph (1) is only exceeded on an individual basis, the Croatian National Bank shall notify the consolidating supervisor of the proposed acquisition within 10 working days of receipt of the notification by the proposed acquirer.

(3) In the case referred to in paragraph (2) of this Article, the Croatian National Bank shall also forward its assessment of the proposed acquisition to the consolidating supervisor.

(4) Where the proposed acquirer is a financial holding company or mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank, and the Croatian National Bank is the consolidating supervisor assessing the proposed acquisition, the Croatian National Bank shall notify the competent authority in the Member State where the proposed acquirer is established of the proposed acquisition within 10 working days of receipt of the notification of the proposed acquisition by the proposed acquirer and shall forward its assessment of the proposed acquisition to that competent authority.

(5) Where the proposed acquirer is a credit institution and the threshold referred to in Article 291, paragraph (1) of this Act is exceeded both on an individual basis and on a consolidated basis, the Croatian National Bank shall cooperate and coordinate with the other supervisory authority in carrying out the assessment of the proposed acquisition, in particular with regard to their consultation with the relevant authorities referred to in paragraph (1) of this Article.

(6) Where the Croatian National Bank carries out the assessment of the proposed acquisition as the consolidating supervisor, it shall consult and cooperate with the competent authority in the Member State where the proposed acquirer is established.

(7) The Croatian National Bank as the consolidating supervisor shall prepare an assessment on the proposed acquisition and shall forward that assessment to the competent authority in the Member State where the proposed acquirer is established.

(8) In the case referred to in paragraph (5) of this Article, the Croatian National Bank and the other competent authority shall reach a joint decision on the assessment of the proposed acquisition within two months of the date when the consolidating supervisor submitted the assessment to other competent authorities and the joint decision shall be duly documented and fully reasoned.

9) If the Croatian National Bank is the consolidating supervisor, it shall notify the proposed acquirer of the joint decision referred to in paragraph (8) of this Article.

(10) If the joint decision is not taken within two months of receipt of the assessment of the consolidating supervisor, the Croatian National Bank shall refrain from taking a decision.

(11) In the case referred to in paragraph (10) of this Article, the Croatian National Bank shall, in accordance with Article 19 Regulation (EU) No refer the matter to the European Banking Authority and shall upon receipt of the decision of the European Banking Authority adopt a joint decision with other competent authorities in conformity with this decision.

(12) The Croatian National Bank shall provide to other competent authorities participating in adopting a joint decision any information which is essential and, upon request or at its own initiative, any information which is relevant for the assessment of the proposed acquisition.

(13) In adopting a joint decision, the Croatian National Bank shall coordinate its assessments with other supervisory authorities and ensure the consistency of its decisions, and the joint decision referred to in this Article shall indicate any views or reservations made by all relevant competent authorities.

Notification of divestiture of a material holding

Article 294

(1) A credit institution, financial holding company and mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank shall notify the Croatian National Bank where they intend to dispose, directly or indirectly, of a material holding as determined in accordance with Article 291, paragraph (1) of this Act.

(2) The notification referred to in paragraph (1) of this Article shall be submitted in writing and indicate the size of the holding concerned.

Obligation to notify

Article 295

(1) Where the proposed acquirer fails to notify of the proposed acquisition in advance in accordance with Article 291, paragraph (1) of this Act or acquires a material holding as referred to in that Article despite opposition by the Croatian National Bank, the Croatian National Bank may take appropriate measures.

(2) Where a material holding is acquired despite opposition by the Croatian National Bank, the Croatian National Bank may, without prejudice to potential administrative sanctions and other administrative measures, provide by a decision for exercise of the corresponding voting rights to be suspended.

(3) A credit institution shall notify the Croatian National Bank of all changes in the activity of a legal person in which it has a majority holding in the capital or a majority of the voting rights prior to the entry of such activity in the register of companies.

Material transfers of assets and liabilities

Article 296

(1) A credit institution, financial holding company or mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank shall notify the Croatian National Bank in writing in advance of any material transfer of assets and liabilities they intend to execute either through a sale or any other type of transaction (hereinafter referred to as 'proposed operation'), irrespective of whether the proposed operation involves only entities from the same group.

(2) Each of the entities involved in the same proposed operation shall individually be subject to the obligation to notify referred to in paragraph (1) of this Article.

(3) A material transfer of assets and liabilities referred to in paragraph (1) of this Article shall be any transfer of 10% or more of the total assets or liabilities of an entity involved in the proposed operation.

(4) By way of derogation from paragraph (3) of this Article, where the proposed operation is executed between entities of the same group, it shall be deemed material if at least 15% or more of the total assets or liabilities of an entity involved in the proposed operation is transferred.

(5) Where a parent financial holding company or a parent mixed financial holding company which in accordance with Article 87 of this Act has been granted the approval of the Croatian National Bank are involved in the proposed operation, the threshold referred to in paragraphs (3) and (4) of this Article shall be calculated on a consolidated basis.

The following shall not be taken into account for calculating the threshold referred to in paragraphs (3) and (4) of this Article:

1) transfers of non-performing assets;

2) transfers of assets for the purpose of being included in a cover pool as defined the regulation transposing Article 3, item (3), of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (Text with EEA relevance) (OJ L 328, 18.12.2019) into the national law of the Member States;

3) transfers of assets to be securitised;

4) transfers of assets or liabilities in the context of resolution in accordance with the regulation transposing into the national law of Member States resolution tools, powers and mechanisms provided for in Title IV of Directive 2014/59/EU.

(7) The Croatian National Bank shall acknowledge, in writing, the receipt of the notification referred to in paragraph (1) of his Article within 10 working days of receipt of the notification.

(8) Where the entities involved in the proposed operation fail to notify the Croatian National Bank of the intended transfer in accordance with this Article, the Croatian National Bank may take appropriate measures.

(9) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of submitting the notification of the proposed operation and the information and documentation accompanying the notification of the proposed operation.

TITLE XXI
VOLUNTARY WINDING-UP OF CREDIT INSTITUTIONS

Initiation of voluntary winding-up proceedings

Article 297

(1) A credit institution intending to reach a decision on the dissolution of the undertaking shall prepare and deliver to the Croatian National Bank a winding-up plan, not later than three months prior to the planned invitation to convene a general assembly, in addition to which it shall also deliver the approval of the supervisory board for that plan.

(2) The Croatian National Bank shall, at the latest within three months of the delivery of the winding-up plan, issue a positive opinion on the winding-up plan or a adopt a decision refusing the winding-up plan.

(3) The Croatian National Bank shall refuse the winding-up plan:

1) if it assesses that the voluntary winding-up could be detrimental to the rights of the creditors or jeopardise the safety and stability of the financial system of the Republic of Croatia; or

2) if it determines the existence of any of the reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan.

(4) The Croatian National Bank may impose appropriate measures on the credit institution in the decision refusing the winding-up plan.

(5) The general assembly of a credit institution shall not reach a decision on the dissolution of the undertaking until the Croatian National Bank issues a positive opinion of the winding-up plan referred to in paragraph (2) of this Article.

(6) The decision of the general assembly on the dissolution of the undertaking shall not have legal effects and shall not be entered in the register of companies without the positive opinion of the Croatian National Bank referred to in paragraph (2) of this Article on the winding-up plan.

(7) The credit institution shall specify the date of the initiation of voluntary winding-up proceedings in the decision of the general assembly on the dissolution of the undertaking, which shall be set at the latest within five days of adopting the decision on the dissolution of the undertaking.

(8) As at the date of the decision on the dissolution of the undertaking referred to in paragraph (7) of this Article, the credit institution shall immediately notify the Croatian National Bank of the decision reached.

(9) The credit institution shall deliver to the Croatian National Bank an order for the transfer of assets from its accounts with the Croatian National Bank to the transaction account with another credit institution before the end of the working day preceding the day of initiation of voluntary winding-up proceedings and after the transfer of assets the Croatian National Bank shall close the accounts of the credit institution in voluntary winding-up proceedings with the Croatian National Bank.

(10) If the credit institution fails to meet the obligation referred to in paragraph (8) of this Article, the Croatian National Bank shall close the accounts of the credit institution and transfer the assets from these accounts to the account of the credit institution in voluntary winding-up proceedings opened with another credit institution upon receipt of the transfer order from the liquidator.

(11) The liquidators shall publish the decision on the dissolution of the undertaking on the website of the credit institution in voluntary winding-up proceedings as at the date of initiation of the voluntary winding-up proceedings and shall provide without delay for the decision to be published in at least two daily newspapers published in the Republic of Croatia.

(12) The credit institution in voluntary winding-up proceedings shall obtain prior approval for any material changes to an approved winding-up plan.

(13) The liquidators shall deliver to the Croatian National Bank reports on the progress of voluntary winding-up proceedings.

(14) Credit institutions in voluntary winding-up proceedings shall create annual financial statements for each business year in the course of voluntary winding-up proceedings and the annual financial statements of credit institutions in winding-up proceedings shall be subject to statutory audit; for this purpose, a business year shall correspond to a calendar year.

(15) The Croatian National Bank shall adopt subordinate legislation to regulate the content of the winding-up plan, and the content of and time limits for the submission of the reports on the progress of voluntary winding-up proceedings referred to in paragraph (12) of this Article.

Liquidators of a credit institution in voluntary winding-up proceedings

Article 298

(1) A credit institution in voluntary winding-up proceedings shall have at least two liquidators.

(2) Only natural persons who fulfil the criteria laid down for members of the credit institution's management board in accordance with this Act may be appointed as liquidators of a credit institution in voluntary winding-up proceedings.

Duties of liquidators

Article 299

(1) Liquidators of a credit institution in voluntary winding-up proceedings shall finalise pending activities, collect the claims, realise the assets of the credit institution and settle obligations to creditors.

(2) To the extent necessary for carrying out winding-up proceedings, liquidators may conclude new transactions.

Application of the provisions of this Act to credit institutions in voluntary winding-up proceedings

Article 300

(1) The provisions of Titles I, II, IV, except for Article 26, Title IV, Article 44, Title XIII, Article 214, Articles 218 to 224, Titles XXIII, XXV, XXVI, XXVII, XXIX, XXX, XXXII and XXXV of this Act shall apply *mutatis mutandis* to credit institutions subject to voluntary winding-up proceedings until the completion of voluntary winding-up proceedings.

(2) Credit institutions in voluntary winding-up proceedings shall not be authorised to take deposits or other repayable funds from the public or grant loans and, pursuant to Regulation (EU) No 575/2013, that Regulation or delegated or implemented regulations adopted under Regulation (EU) No 575/2013 shall not apply to credit institutions in voluntary winding-up proceedings.

(3) The provisions of Title XXII of this Act regarding supervisory procedure shall apply *mutatis mutandis* to the supervision of credit institutions in voluntary winding-up proceedings, unless otherwise prescribed by another law.

(4) The lapsing of the authorisation of a credit institution shall have the same legal consequences in relation to deposit insurance as the withdrawal of the credit institution’s authorisation.

(5) The Croatian National Bank shall adopt subordinate legislation to regulate the adoption, assessment and implementation of the winding-up plan, the conduct of business of credit institutions in regular winding-up proceedings and reporting.

Prohibition of changes in the activity of credit institutions in voluntary winding-up proceedings

Article 301

A credit institution that initiated voluntary winding-up proceedings may not change its activity so as to cease providing banking services and continue operating, but must close the winding-up proceedings and apply for its removal from the register of companies.

TITLE XXII
OVERSIGHT OF THE APPLICATION OF THE PROVISIONS ON CONSUMER PROTECTION AND PROVISIONS OF OTHER LAWS

Oversight of the application of the provisions on consumer protection and provisions of other laws

Article 302

(1) The Croatian National Bank shall conduct the oversight of credit institutions with regard to the application of:

1) Title XXIII of this Act governing consumer protection and regulations adopted pursuant to Title XXIII of this Act; or

2) other laws and regulations adopted pursuant to these laws, for which it is competent under these laws.

(2) The provisions of this Act regarding supervisory procedure shall apply *mutatis mutandis* to the oversight procedure referred to in this Article, unless otherwise prescribed in this law.

(3) The Croatian National Bank shall adopt subordinate legislation to regulate the conditions for and the manner of conducting the oversight referred to in this Article.

Manner of exercising supervision

Article 303

The Croatian National Bank shall exercise supervision of credit institutions by:

1) collecting and analysing reports and information, ongoing monitoring of the operation of credit institutions and other persons required to report to the Croatian National Bank pursuant to this Act and regulations adopted pursuant to this Act, other laws and regulations adopted pursuant to these laws or relevant regulations of the European Union (hereinafter referred to as ‘off-site inspection’); and

2) on-site inspections, including mystery shopping.

Persons authorised to exercise supervision

Article 304

(1) The off-sight inspection referred to in Article 303, paragraph (1) of this Act shall be carried out by employees of the Croatian National Bank (hereinafter referred to as 'persons authorised by virtue of their employment status').

(2) The on-sight inspection referred to in Article 303, paragraph (2) of this Act shall be carried out by employees of the Croatian National Bank authorised by the Governor of the Croatian National Bank (hereinafter referred to as 'authorised persons').

(3) By way of derogation from paragraph (2) of this Article, the Governor of the Croatian National Bank may also authorise other professionally qualified external contractors to carry out individual activities of on-site inspection by means of mystery shopping.

(4) When carrying out activities related to mystery shopping for which they have been authorised by the Governor of the Croatian National Bank, the external contractors referred to in paragraph (3) of this Article shall have the same powers as authorised persons of the Croatian National Bank.

(5) The persons referred to in paragraphs (2) and (3) of this Article, authorised by the Governor of the Croatian National Bank to carry out on-site inspections in credit institutions by means of mystery shopping may act as parties and conclude credit or deposit contracts with credit institutions for the purpose of exercising supervision; these agreements shall not have legal effects for the contracting parties and shall be deemed to have been concluded only for the purpose of proving the facts established in the supervisory procedure by means of mystery shopping and in misdemeanour proceedings resulting from that supervisory procedure.

On-site inspection

Article 305

(1) A credit institution shall enable authorised persons, at their request, to carry out an on-site inspection at the head office of the credit institution and in other locations in which the credit institution or another person with its authorisation carries out activities and operations subject to supervision by the Croatian National Bank.

(2) A credit institution shall enable authorised persons, at their request, to carry out an examination of business books, business documentation, and administrative or business records as well as an examination of information and related technologies, to the extent necessary for an individual inspection.

(3) A credit institution shall deliver to authorised persons, at their request, computer print-outs, copies of business books, business documentation, and administrative or business records in a paper form or in the form of an electronic record in the medium and format required by the authorised persons.

(4) The credit institution shall provide authorised persons with a standard interface providing access to the system for database management used by the credit institution, for the purpose of carrying out an inspection supported by computer programmes.

(5) The supervision of operations referred to in paragraphs (1) and (2) of this Article shall be carried out by authorised persons during working hours of a credit institution and when necessary, because of the scope or nature of the inspection, the credit institution shall enable authorised parsons to carry out the inspection outside its working hours.

End of an inspection of a credit institution

Article 306

(1) Following the on-site inspection of the operation of a credit institution the authorised person shall prepare a report on inspection findings.

(2) Following an inspection carried out by means of mystery shopping, the authorised person shall prepare a report on inspection findings if illegalities, deficiencies and/or weaknesses in the operation of the inspected credit institution have been identified in the course of the inspection and when mystery shopping is carried out as part of an on-site inspection, one report on inspection findings shall be prepared.

(3) If no illegalities, deficiencies and/or weaknesses in the operation of a credit institution have been identified by means of mystery shopping, a note on the conducted mystery shopping shall be prepared and communicated for information to the credit institution and where mystery shopping is conducted as part of an on-site inspection, the note of conducted mystery shopping shall form an integral part of the report on inspection findings.

(4) Following an off-site inspection of the operation of a credit institution persons authorised by virtue of their employment status shall prepare a report on inspection findings if the inspection identified:

1) illegalities in the operation of the credit institution and/or

2) grounds for imposing measures.

(5) Following the supervision exercised within the powers pursuant to this Title, and if it establishes a breach of regulations referred to in Article 302, paragraph (1) of this Act or weaknesses and deficiencies in the operation of the credit institution, the Croatian National Bank may initiate an administrative procedure and adopt a decision imposing supervisory measures for the purpose of eliminating identified illegalities, deficiencies or weaknesses.

(6) A credit institution shall implement supervisory measures within the time limits laid down in a decision of the Croatian National Bank.

(7) Whitin its powers pursuant to this Title, the Croatian National Bank may issue a circular letter, opinion or recommendation.

TITLE XXIII
CONSUMER PROTECTION

Meaning of the term and application of the provisions of this Title

Article 307

(1) For the purposes of the provisions of this Title of the Act, ‘deposit’ means a cash deposit as defined in the law governing civil obligations.

(2) A credit institution which as a purchaser received the transfer of a claim arising from a credit contract and a credit institution which became a creditor by the transfer of a credit contract from a third party shall act *mutatis mutandis* in accordance with the provisions of this Title.

General service information

Article 308

(1) A credit institution shall for each service offered to consumers make available clear and understandable general service information in the Croatian language and in an appropriate place in its business premises where it provides services to consumers and on its website unless otherwise prescribed by another law.

(2) A credit institution shall free of charge, at the request of the consumer, make general service information referred to in paragraph (1) of this Article available to the consumer in writing and in a paper form or on another durable medium.

(3) Where a credit institution offers credit contracts that reference a benchmark as defined in Article 3, paragraph (1), item (3) of Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29. 6. 2016), it shall include in its general service information the name of the benchmark and benchmark administrators and the potential impact of the change in the benchmark for the consumer.

Providing information on loans and deposits

Article 309

(1) When, while gathering information on loans, the consumer requests information on the amount of the loan the consumer could be granted by a credit institution or when, while gathering information on deposits, the consumer requests information on the conditions for making deposits, the credit institution shall free of charge provide the consumer in writing and in a paper form or on another durable medium with personal information needed to compare different offers in the market and to take a decision on whether to conclude a credit or a deposit contract.

(2) The personalised information to be provided to the consumer by the credit institution shall include at least the information prescribed in the law governing consumer lending or other regulations governing the taking of deposits or granting of credits.

Contracting loans or deposits

Article 310

(1) Prior to entering into a credit contract or a deposit contract the credit institution shall free of charge provide the consumer in writing and in a paper form or on another durable medium with personal information fully in line with the terms and conditions of the contract.

(2) Prior to entering into a credit contract the credit institution shall free of charge provide the consumer in writing and in a paper form or on another durable medium the information referred to in paragraph (1) of this Article and to all other participants in the credit relationship, for example, co-debtors, pledgors and guarantors, and warn them of the legal implications of being a co-debtor, pledgor or guarantor, stressing the right of the credit institution to undertake collection of its claims under the credit contract from all participants in the credit relationship.

(3) At the request of the consumer and free of charge, the credit institution shall provide the consumer with a draft of the credit or deposit contract in writing and in a paper form or on another durable medium unless at the time of the submission of the request the credit institution assessed it is unwilling to proceed to the conclusion of the legal arrangement, of which it shall notify the consumer without delay in writing.

(4) The credit institution shall also make the draft credit contract available free of charge in writing and in a paper form or on another durable medium to other participants in the credit relationship at their own request, which shall not be considered as disclosure of banking or any other secret.

(5) In addition to the draft of the credit or deposit contract, the credit institution shall provide the consumer free of charge with a copy or electronic version of the relevant articles from the applicable general operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution which constitute an integral part of the credit or deposit contract and may impact the financial position of the consumer, and a short explanation of that impact.

(6) A credit institution shall conclude the credit or deposit contract with the consumer in writing and in a paper form or on another durable medium, in the Croatian language, and shall deliver at least one copy to the consumer together with applicable General operating conditions, interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution that constitute an integral part of the credit or deposit contract, and in the case of conclusion of a credit contract, the credit institution shall, in addition to the

consumer, provide a copy of the contract to all other participants in the credit relationship, including co-debtors, pledgors and guarantors.

(7) In the deposit and lending segment of its consumer operations related to credit or deposit contracts, as regards services indexed to foreign currency, the credit institution shall apply the midpoint exchange rate for the respective currency against the euro applicable on the day of the transaction and published on the website of the Croatian National Bank in the Exchange rate list for clients of the Croatian National Bank.

Disclosure of general operating conditions

Article 311

(1) A credit institution shall disclose to consumers its general operating conditions, including information on the conditions for providing services, in the Croatian language and in an appropriate place in its business premises where it provides services to consumers on its website.

(2) In addition to the mandatory method of providing information to consumers referred to in paragraph (1) of this Article, a credit institution may provide the same information in other appropriate manners.

(3) A credit institution shall disclose amendments to its general operating conditions in the manner referred to in paragraph (1) of this Article at least 15 days before their entry into force.

(4) A credit institution shall notify consumers to which these general operating conditions apply in the manner agreed upon of intended amendments to the general operating conditions at least 15 days before their entry into force.

(5) The credit institution shall provide the notification referred to in paragraph (4) of this Article:

1) in a paper form or on another durable medium,

2) in intelligible language, in a simple and comprehensive form in the Croatian language.

(6) The general operating conditions referred to in paragraph (1) of this Article related to the granting of credits shall include the data on:

1) interest rate types;

2) methods and frequency of calculating interest;

3) the terms and conditions under which regular and default interest may be changed during the period of credit utilisation, i.e. repayment;

4) the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;

5) fees and commissions, other than the declared nominal interest, charged by the credit institution to borrowers, including the explanation relating to the possible changes to these fees and commissions during the life of the credit contract;

6) effective interest rates reflecting the total price of particular types of credit;

7) the terms and conditions for making a deposit with the credit institution, if this is a prerequisite for the granting of a credit;

8) the possibilities and terms and conditions for offsetting credits against the deposits referred to in item (7) of this paragraph;

9) collateral instruments and other terms and conditions imposed by the credit institution laying special stress on the consequences of defaulting on contractual commitments, cancellation or termination of the contract and the order in which collateral is activated;

10) the right of the consumer to withdraw from the contract and the statutory time limits provided;

11) the terms and conditions for early repayment of the credit; and

12) the types of costs that might be incurred following the cancellation of credit and/or activation of collateral and/or initiation of forced collection proceedings.

(7) The general operating conditions referred to in paragraph (1) of this Article related to the acceptance of deposits shall include the data on:

1) interest rate types;

2) methods and frequency of calculating interest;

3) the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;

4) the terms and conditions under which interest rates may be changed;

5) the lowest amount accepted in deposit;

6) fees for maintaining the accounts and other similar fees and commissions if they are charged by the credit institution to depositors, including the explanation relating to the possible changes to these fees during the life of the deposit contract;

7) effective interest rates reflecting the total return on deposit;

8) basic information on the deposit insurance scheme;

9) the possibilities as regards the repayment of a time deposit before its maturity date and the consequences thereof;

10) the treatment of deposits after the maturity date of the time deposit; and

11) the conditions for the management of the assets of minors.

Consumer notification

Article 312

(1) A credit institution shall in an agreed upon manner and on an annual basis at a minimum, free of charge, notify consumers of the balance of their credits or deposits, at the latest by 31 March of the current year for the previous year.

(2) In the notification of the balance of credits referred to in paragraph (1) of this Article the credit institution shall specify the amounts due and payable by the debtor to the credit institution, information as regards the time limit in which the credit institution will send the first and the second collection letter and the warning of the right of the credit institution to cancel the credit.

(3) The credit institution shall send the notification of the balance of credits referred to in paragraph (1) of this Article once a year free of charge to the co-debtor and guarantor in an agreed upon manner, at the latest by 31 March of the current year for the previous year.

(4) The credit institution shall act in accordance with paragraphs (1) and (3) of this Article up to the moment of the initiation of forced collection proceedings pursuant to the respective credit contract.

(5) In the notification of the balance of deposits referred to in paragraph (1) of this Article, the credit institution shall specify the balance of a deposit and the amount of calculated and accrued interest pursuant to the respective deposit contract.

(6) Where the consumer, a debtor under a credit contract, and the credit institution fail to agree on the repayment scheme within the maximum of two months following the default on repayment, the credit institution shall notify the co-debtor, pledgor and guarantor of the debt balance outstanding and provide them with a period of 15 days of the date of the notification sent via registered mail to settle the obligation in money.

(7) Where the credit institution cancels the credit contract, it shall not charge the consumer a fee for the cancellation of the credit contract, and at the moment of credit cancellation it shall notify the credit user, the co-debtor, pledgor and guarantor free of charge of:

1) the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs; and

2) the justification for the items for which collection is sought, specifying the items that can be increased and the interest rate at which they can be increased.

(8) Where variable interest rates have been contracted, a credit institution shall notify consumers of interest rate changes, presenting and explaining to the consumer the changes of parameters that caused the change in interest rates, in an agreed upon manner at least 15 days before their application, and in case of credit contracts, the credit institution shall also provide the consumer with the amended loan amortisation schedule.

(9) Where the interest rate in a credit contract changes upwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(10) Where the interest rate in a deposit contract changes downwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(11) In case of a deposit contract renewed automatically after the expiry of the maturity date, the credit institution shall notify the consumer of the conditions under which the deposit contract will be renewed, at least 15 days before the application of the conditions under which the deposit contract will be renewed.

(12) Where the consumer, a credit user, upon receipt of the notification of the increase in interest rates does not agree with the change, he has the right, within three months of receipt of the notification, to early repayment of the credit without paying any charges or fees to the credit institution, including the agreed charge or fee for early credit repayment, and the credit institution has no right to damages due to early repayment.

(13) A credit institution shall make available to the consumer, at the consumer's request, free of charge and at any moment over the duration of the credit contract, a report in the form of the loan amortisation schedule, information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of changes in interest rates relating to the credit.

(14) A credit institution shall at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, notify the consumer of the loan repayment in full and inform the consumer of the manner in which to obtain the statement of release and in the case of the rights of third persons who have repaid the loan in part or in full, inform the consumer of the rights of such persons and further conditions to obtain the statement of release, as well as inform the consumer on the manner in which to retrieve all other instruments of collateral of the repaid loan, and shall in the same manner notify all participants in the credit relationship, including guarantors, debtors, co-debtors and pledgors.

Variable interest rate

Article 313

(1) The provisions of the law governing consumer credit that govern variable interest rate shall apply to credit contracts, except for agreements on consumer housing loans governed by the law governing consumer housing loans, regardless of the total amount and the type of credit granted by a credit institution to a consumer.

(2) The NRR shall be calculated by the Croatian National Bank and published on its website.

(3) The Croatian National Bank shall calculate the NRR based on data available to the Croatian National Bank, collected for regulatory purposes in accordance with subordinate legislation adopted pursuant to Article 217, paragraph (2) of this Act.

(4) The Croatian National Bank shall publicly disclose the methodology for the calculation of the NRR and the NRR release calendar on its website.

Contracting interest rates

Article 314

(1) Where a credit institution offers to contract a variable interest rate, it shall prior to entering into a deposit contract warn the consumer of all risks associated with the variability of the interest rate and contract the parameters affecting the change in the contracted interest rate in the deposit contract in a clear and unambiguous manner.

(2) The credit institution shall in relation to credit contracts irrespective of the total amount and type of credit granted by the credit institution to the consumer, as well as in relation to deposit contracts, publish and regularly update in its business premises and on its website the parameters or benchmarks affecting the change in the contracted interest.

(3) The credit institution shall make archive records of the parameters or benchmarks referred to in paragraph (2) of this Article that affect the change in interest rates in deposit contracts or credit contracts, which are not agreements on consumer housing loans, available on their websites.

(4) Short-term deposits and short-term credits shall not be contracted with a variable interest rate. For the purposes of this Act, short-term services shall be those contracted for a period of up to 12 months.

(5) Promotional interest rates offered upon the moment of sale for a specified time period upon the expiry of which the interest rate is adjusted to the market interest level, the currently applicable interest rate level, the credit institution may contract only for short-term services.

Charges and fees

Article 315

(1) For the duration of the contractual relationship, the credit institution may charge the consumer only charges or fees that were specified in the Tariff of service fees and charges at the time when the contract was concluded and which were expressed as an amount or as a percentage other than zero.

(2) The credit institution shall prepare and submit to the Croatian National Bank the internal methodology used to set the structure of fees and charges for all services it offers to consumers.

(3) The credit institution shall notify the Croatian National Bank of all amendments to the methodology referred to in paragraph (2) of this Article at least 30 days prior to entry into force of these amendments.

(4) The Croatian National Bank shall adopt subordinate legislation to regulate the minimum content of the internal methodology referred to in paragraph (2) of this Article and the manner of notifying the Croatian National Bank of all amendments to the internal methodology referred to in paragraph (2) of this Article.

(5) The Croatian National Bank may adopt subordinate legislation to regulate the list of activities to be carried out by credit institutions as part of their consumer operations free of charge.

Change of creditors in credit contracts

Article 316

(1) A credit institution shall ensure that consumers, whose credit contract or claim arising from a credit contract has been transferred to the acquirer or a third person to which the acquirer has transferred the credit contract or claim arising from the credit contract is not put by the acquirer or that third party in a less favourable position with regard to consumer protection than the position they held as debtors to the credit institution.

(2) A credit institution may assign a claim arising from a loan contract or transfer a loan contract only to creditors who are authorised to grant credits in accordance with the law governing consumer credit and consumer housing loans.

(3) The credit institution shall be jointly liable with the acquirer or the third party referred to in paragraph (1) of this Article for any damage to the consumers that may arise from their legally or factually less favourable position than the position they held as debtors to the credit institution.

(4) In case of a change of creditor in a credit contract, the credit institution shall notify the debtor of the change of creditor and shall in addition to the notification deliver to the debtor a report on the total debt balance as at the date of the change of creditor and the debt structure broken down by the following items: principal, interest, fees and charges and other costs.

(5) The provisions of this Article shall apply to the sale of receivables which is not governed by the law governing the manner, conditions and procedure for the servicing and sale of claims.

Consumer complaints

Article 317

(1) The Croatian National Bank shall, within its competence for credit institutions, monitor whether credit institutions comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, the provisions of regulations adopted pursuant to this Act and the provisions of the other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(2) The Croatian National Bank shall be competent to monitor whether:

1) credit institutions from other Member States, providing services through branches or directly providing mutually recognised services within the territory of the Republic of Croatia; and

2) third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institution comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, the provisions of regulations adopted pursuant to this Act and the provisions of other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(3) The Croatian National Bank may require from credit institutions to submit within the time limit set by the Croatian National Bank additional data, reports and other bylaws it deems necessary for the purpose of consumer protection.

(4) Where a consumer deems that a credit institution failed to comply with the terms and conditions of a contract on the provision of banking or financial services, with disclosed internal bylaws governing the business relationship between credit institutions and consumers, the provisions of this Act relating to consumer protection, the provisions of regulations adopted pursuant to this Act and the provisions of other laws governing consumer protection, the consumer may file a complaint against the practices of the credit institution to the credit institution.

(5) A credit institution shall entrust at least one of its employees with the task of addressing consumer complaints.

(6) A credit institution which has its head office outside the Republic of Croatia and provides services within the territory of the Republic of Croatia through a branch shall entrust at least one employee of its branch in the Republic of Croatia with the task of addressing complaints from consumers in the Republic of Croatia.

(7) The credit institution shall appoint a person responsible for monitoring the process of consumer complaint management.

(8) Where a consumer is dissatisfied with the response or decision of a credit institution as regards the consumers filed complaint, the consumer may notify the Croatian National Bank thereof.

(9) The Croatian National Bank shall not address individual consumer complaints.

(10) The Croatian National Bank shall monitor periodic trends in the number of consumer complaints per individual credit institution.

(11) A credit institution shall deliver to the Croatian National Bank information on market conduct in the scope, manner and within time limits specified in the subordinate legislation referred to in Article 322, paragraph (4) of this Act.

Keeping of business records

Article 318

(1) A credit institution shall keep:

1) contracts and other documents relating to the establishment of a business relationship between the credit institution and the consumer; and

2) other business documents and records relating to the business relationship between the credit institution and the consumer.

(2) A credit institution shall keep the documents referred to in paragraph (1) of this Article for the duration of the business relationship and eleven years following the end of the year in which the business relationship was terminated.

(3) By way of derogation from paragraph (2) of this Article, if court proceedings have been initiated in relation to the contractual relationship, the credit institution shall keep the documents related to the business relationship beyond the time limit referred to in paragraph (2) of this Article, that is, until the completion of the court proceedings initiated in relation to the contractual relationship.

Alternative dispute resolution for consumer disputes

Article 319

(1) In all disputes which may arise in the implementation of the provisions of this Act between a consumer as a user of banking and/or financial services and a credit institution as a provider of banking and/or financial services, a proposal for conciliation may be submitted in accordance with the law governing conciliation, i.e. alternative dispute resolution of domestic and cross-border disputes may be initiated in accordance with a special regulation governing alternative dispute resolution of consumer disputes.

(2) Conciliation or alternative dispute resolution of consumer disputes shall be handled before conciliation centres or centres for alternative dispute resolution of consumer disputes, in accordance with the provisions of regulations governing conciliation or alternative dispute resolution of consumer disputes.

(3) Credit institutions are obligated to participate in conciliation proceedings or alternative dispute resolution proceedings initiated by the consumer.

Consumer protection measures

Article 320

(1) Consumer protection measures shall be implemented by means of:

1) a decision, or

2) a memorandum of understanding.

(2) Following the conduct of the oversight the Croatian National Bank may initiate administrative procedure to adopt a decision imposing consumer protection measures on the credit institution referred to in Article 317, paragraphs (1) and (2) of this Act for the purpose of ensuring consumer protection and/or conclude a memorandum of understanding with the credit institution referred to in Article 317, paragraphs (1) and (2) of this Act.

(3) In the decision referred to in paragraph (2) of this Article the Croatian National Bank has the power to impose consumer protection measures and provide time limits to meet them:

1) order to stop illegal practices;

2) order to eliminate illegalities, irregularities, deficiencies or weaknesses and determine the time limit for doing so;

3) order to create, supplement and/or amend procedures, business policies and other bylaws of the credit institution relating to operations with consumers; or

4) impose any other measure it deems appropriate and proportionate for the purpose of ensuring consumer protection.

(4) The Croatian National Bank may conclude the memorandum of understanding referred to in paragraph (2) of this Article with the credit institution if it establishes weaknesses or deficiencies in the operation of the

credit institution or if it deems it necessary for the credit institution to take actions and procedures to improve its operation and protect consumers.

(5) The Croatian National Bank may propose to a credit institution the conclusion of a memorandum of understanding if:

1) the credit institution has begun to eliminate weaknesses or deficiencies in the course of or immediately following the inspection;

2) the credit institution is ready to commit itself to eliminating the weaknesses or deficiencies within proposed time limits and in the manner proposed;

3) the credit institution's track record with regard to measures, objections and instructions of the Croatian National Bank suggests that the credit institution will completely fulfil the commitments to be taken under the memorandum; or

4) the credit institution's track record, and the frequency of weaknesses, deficiencies or illegalities identified, suggest that the credit institution will in its future operations ensure the legality of operation.

(6) A memorandum of understanding shall lay down:

1) the time limit for and the method to be used by the credit institution to eliminate the weaknesses or deficiencies in its operation; and

2) the time limit for and the frequency of the credit institution's reporting to the Croatian National Bank on the fulfilment of the commitments taken under the memorandum of understanding.

(7) Where a credit institution fails to fulfil the commitments taken under a memorandum of understanding within the time limit and in the manner laid down in the memorandum, the Croatian National Bank shall adopt a decision imposing the measures referred to in paragraph (3) of this Article.

Financing of financial literacy

Article 321

(1) A credit institution having its head office in the Republic of Croatia, a branch of a credit institution from another Member State and a third-country branch shall allocate a portion of their income every year to finance activities aimed at strengthening the financial literacy of the citizens of the Republic of Croatia.

(2) Credit institutions and branches referred to in paragraph (1) of this Article shall undertake all necessary activities for the purpose of complying with the guidelines referred to in paragraph (3) of this Article.

(3) The Minister of Finance shall adopt a guideline governing the content and the framework of activities for the strengthening of the financial literacy of citizens, which the credit institutions and branches referred to in paragraph (1) of this Article shall finance in accordance with the obligation referred to in paragraph (1) of this Article.

Subordinate legislation of the Croatian National Bank regulating consumer protection

Article 322

The Croatian National Bank shall adopt subordinate legislation to regulate:

1) a uniform method of calculating and disclosing credit and deposit prices in the form of effective interest rates referred to in Article 311, paragraph (6), item (6) and paragraph (7), item (7) of this Act;

2) the content and form of providing the information referred to in Article 309, paragraphs (1) and (2) and Article 310, paragraph (1) of this Act;

3) the conditions for and the manner of exercising oversight and imposing measures; and

4) the scope, the manner and the time limits for reporting in the area of consumer protection and market conduct.

Application of special laws

Article 323

In addition to Articles 307 to 322 of this Act, the Croatian National Bank shall protect the rights of a credit institution's consumers in accordance with special laws governing consumer protection the oversight of the application of which falls within the competence of the Croatian National Bank.

TITLE XXIV
PROTECTION OF DEPOSITORS

Protection of depositors

Article 324

(1) A credit institution adopting a decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 shall without delay announce the notification thereof on its website and publish it in at least two daily newspapers published in the Republic of Croatia at the latest within five working days of the date of the adoption of this decision, and the notification shall contain at least the following:

1) the decision to reduce common equity tier 1 capital items;

2) the amount of common equity tier 1 capital of the credit institution prior to the decision on the reduction;

3) the amount by which the credit institution's common equity tier 1 capital is reduced;

4) the amount of common equity tier 1 capital of the credit institution after the decision on the reduction;

5) the percentage by which the credit institution’s common equity tier 1 capital is reduced;

6) a statement by the credit institution's management board that after the reduction of common equity tier 1 capital the credit institution will meet all its liabilities towards depositors and all requirements arising from regulations governing the operation of credit institutions; and

7) instructions to depositors concerning the way in which they can exercise their rights referred to in paragraph (2) of this Article.

(2) The credit institution shall, at the request of the depositor, pay out the deposit and interest accrued up to the date of the payment, without fees or charges, within 30 days after submission of the depositor's request, provided that the request was submitted within six months after the latest notification of the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and that the deposit meets the following criteria:

1) the deposit contract was concluded prior to the notification referred to in paragraph (1) of this Article;

2) the deposit is not due at the time the request is submitted; and

3) the deposit is not fully covered.

(3) The credit institution may carry out the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and pay out the proposed amount to the shareholders if all of the following conditions are met:

1) six months have elapsed since the last announcement of a decision to reduce common equity tier 1 capital items within the meaning of paragraph (1) of this Article; and

2) the requests of all depositors referred to in paragraph (2) of this Article have been met in the manner and within the time limits referred to in this Article.

(4) For the purposes of this Title, 'depositor' means a holder or, in the case of a joint account, each of the holders of a deposit, and 'deposit' means a deposit as defined in the law governing the deposit insurance scheme.

Payout delay

Article 325

(1) A credit institution shall not be required to meet the requirements referred to in Article 324 of this Act if it decides to carry out the payout based on the reduction of common equity tier 1 capital items following the expiry of a period of two years of the adoption of the decision to reduce common equity tier 1 capital items.

(2) In the case referred to in paragraph (1) of this Article, the credit institution shall without delay publish the decision to reduce common equity tier 1 capital items and the decision on the time limit for payment on its website.

Treatment of the reduction of common equity tier 1 capital items

Article 326

The credit institution shall treat the amount by which it decided to reduce its common equity tier 1 capital items referred to in Article 324, paragraph (1) of this Act as items that are not available to the credit institution for unrestricted and immediate use to cover risks or losses and from the moment of the decision the amount shall not be reported as part of common equity tier 1 capital of the credit institution.

TITLE XXV
BANKING SECRECY

Obligation of banking secrecy

Article 327

(1) The credit institution, the members of the credit institution's bodies, its shareholders or employees and other persons who, due to the nature of their business with or for the credit institution have access to confidential information, shall be bound by the obligation of banking secrecy, and they shall not divulge confidential information to third parties, use it against the interests of the credit institution or its clients, or enable third parties to make use of it.

(2) The persons referred to in paragraph (1) of this Article shall be bound by the obligation of banking secrecy even after the termination of their employment with the credit institution or after the termination of their status of shareholders or membership in the credit institution's bodies, as well as after the termination of their contract on the performance of activities for the credit institution.

Exemptions from the obligation of banking secrecy

Article 328

(1) The credit institution's obligation of banking secrecy shall not include the following cases:

1) if the client's consent is given that specific confidential information may be disclosed to another natural and/or legal person, provided that the consent may be verified;

2) if this enables the credit institution to realise its interest when exercising the sale or transfer of client's receivables;

3) if confidential information is disclosed to the Croatian National Bank, the Ministry of Finance, the Financial Inspectorate or another supervisory or competent authority for the purposes of supervision or oversight within their competence;

4) if confidential information is exchanged within a group of credit institutions for the purpose of risk management;

5) if confidential information on clients is disclosed directly to another credit institution in accordance with Article 338 of this Act;

6) if confidential information on clients is disclosed directly to another credit institution and/or financial institution or to a legal person which collects and exchanges information between credit and/or financial institutions, and the information is required for assessing client's creditworthiness or managing credit risk;

7) if confidential information on clients who defaulted on their obligations is disclosed to a legal person who collects and disseminates such information among credit and/or financial institutions;

8) if the disclosure of confidential information is essential for collecting and establishing facts in criminal or preliminary proceedings, when requested or ordered in writing by the competent court;

9) if the disclosure of confidential information is necessary to carry out foreclosure or bankruptcy proceedings over the property of a client, legacy proceedings or other property-rights proceedings, and such disclosure is requested or ordered in writing by the competent court or public notary in the course of performing the functions entrusted to them pursuant to law;

10) if the interests or obligations of a credit institution or its client require the disclosure of confidential information to establish the legal relationship between the credit institution and the client in court proceedings, arbitration proceedings or conciliation proceedings;

11) if confidential information is disclosed to the Ministry of Finance – Office for the Prevention of Money Laundering pursuant to the law governing the prevention of money laundering and terrorist financing;

12) if confidential information is disclosed to the Office for the Prevention of Corruption and Organised Crime pursuant to the law governing the prevention of corruption and organised crime;

13) if confidential information is required by tax authorities, including the Ministry of Finance, Tax Administration and Customs Administration, in procedures carried out by them within the framework of their competence under law or if confidential information is required in relation to investigations conducted by the European Anti-Fraud Office (OLAF) in accordance with Regulation (EU, Euratom) No 883/2013 and is disclosed at the written request of the competent authority;

14) if confidential information is disclosed to the Croatian Agency for Deposit Insurance pursuant to the law governing the deposit insurance scheme;

15) if the account balance reflects inability to effect payments and the certificate is requested to substantiate the existence of grounds for bankruptcy;

16) disclosure of information to insurance undertakings within the procedure of insuring the credit institution's receivables;

17) disclosure of information in the course of concluding legal arrangements which have the effect of insuring the credit institution's receivables, such as derivative credit instruments, bank guarantees and similar arrangements or insuring instruments of collateral for receivables;

18) disclosure of information, subject to written consent of the credit institution's management board, to a holder of a qualifying holding in the credit institution, to a person intending to acquire a qualifying holding in the credit institution, to a person with whom the credit institution carries out or intends to carry out the status change referred to in Title III, Chapter III of this Act, as well as to auditors, legal and other experts authorised by a holder of a qualifying holding or a potential holder;

19) disclosure of information necessary for the exercise of the credit institution's activities which are subject to outsourcing, if information is disclosed to the service provider;

20) if a credit institution which provides services of safekeeping and administration of financial instruments for the account of clients, including custody services, discloses information on the holder of securities to a credit institution which is the issuer of these non-material securities at its request;

21) if confidential information is disclosed to the Croatian Institute for Social Work at its written request, within the framework of its competence under law and for the purpose of taking measures to protect the rights of children or persons under 18 and persons under guardianship;

22) if requested in writing by a competent state attorney's office or the European Public Prosecutor's Office or if the competent state attorney's office or the European Public Prosecutor's Office orders the Ministry of the Interior in writing to collect information in preliminary proceedings;

23) if confidential information is disclosed to a co-debtor, pledgor, guarantor or another participant in the credit relationship, and only information on that credit relationship;

24) if confidential information is disclosed at written request to a person who incorrectly paid funds to an account of a credit institution's client, and only information necessary to initiate court proceedings for the repayment of incorrectly paid funds;

25) if confidential information is disclosed to the resolution authority and the Ministry of Finance in connection with the implementation of the law governing the resolution of credit institutions and investment firms;

26) if confidential information is disclosed to the Single Resolution Board in accordance with Regulation (EU) No 806/2014;

27) if the confidential information irrespective of the time of its creation is disclosed to the heir of the customer by the said final decision on succession or the European Certificate of Succession, or to the client’s agent;

28) if the confidential information is disclosed to the Croatian National Bank, the competent state attorney’s office, the Office for the Prevention of Corruption and Organised Crime, the European Public Prosecutor's Office or to the Ministry of the Interior for the purpose of reporting, preventing, uncovering or investigating criminal offences;

29) if confidential information is disclosed at a written request to a legal person that credited the pension or similar benefit to the account of the payment beneficiary after the beneficiary’s death but before the credit institution that manages the account learned about the clients death, and then only the information on the person who used the funds, which information is necessary to initiate court proceedings for the reimbursement of unduly paid funds following a client’s death;

30) if confidential information is exchanged and processed among credit institutions for the purpose of preventing, uncovering or managing the risk of fraud in payment transactions as laid down in regulations governing the execution of payment services; and

31) if so provided for by other laws and European Union regulations.

(2) Disclosure of confidential information shall not be considered to include:

1) disclosure of information in collective form, such that personal or business data on a client cannot be identified; and

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

(3) When the disclosure of confidential information is carried out pursuant to paragraph (1) of this Article, the credit institution shall ensure that the information being disclosed is correct, complete and up to date.

(4) Where confidential information is disclosed on the basis of a consent of the client referred to in paragraph (1), item (1) of this Article or in accordance with paragraph (1), items (5), (6) and (7) of this Article, the credit institution shall ensure that the following conditions are met:

1) the client is provided access to the client's information that is being disclosed;

2) the extent of the information thus disclosed is not larger than necessary for the purpose for which it is being exchanged; and

3) the information thus received is kept for a period not longer than necessary for the purpose for which it is being disclosed.

Use and protection of data covered by banking secrecy

Article 329

(1) The persons referred to in Article 328, paragraph (1) of this Act, shall use the confidential information they received pursuant to Article 327 exclusively for the purpose for which it has been given and may not divulge it to third parties or enable third parties to acquire and make use of such information, except in cases prescribed by law.

(2) The provision of paragraph (1) of this Article shall also apply to all natural persons who work or have worked for the courts or in other persons referred to in Article 328, paragraph (1) of this Act in the capacity of employees or other capacities.

TITLE XXVI
SAVINGS BANKS

Savings bank

Article 330

(1) Before starting its operations and entry in the register of companies in accordance with this Act a savings bank shall obtain authorisation as a savings bank and be established as a joint stock company which has its head office in the Republic of Croatia.

(2) The firm name of a savings bank shall contain the words 'savings bank'.

(3) The words 'savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies and used in legal transactions only by a legal person authorised by the Croatian National Bank as a savings bank.

(4) By way of derogation from paragraph (3) of this Article, the words 'savings bank' in the firm name may be used in legal transactions by a savings bank that has been authorised as a bank in accordance with Article 334 of this Act.

Application of other regulations

Article 331

With the exception of the provisions of Article 29 and Articles 55 to 63 of this Act, the provisions of this Act, regulations adopted pursuant to this Act, and of other regulations governing the operation of credit institutions shall apply *mutatis mutandis* to savings banks.

Savings bank activities

Article 332

(1) Savings banks may provide the banking services referred to in Article 11 of this Act.

(2) In addition to the banking services referred to in paragraph (1) of this Article, savings banks may provide financial services for which they have been authorised:

1) issuance of guarantees or other commitments;

2) lending, including consumer and mortgage credits, if permitted by a special law;

3) trading for own account in:

a) money market instruments;

b) transferable securities;

c) foreign exchange, including currency exchange transactions;

4) payment services in the country in accordance with special laws;

5) credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;

6) activities related to the sale of insurance policies in accordance with the law governing insurance;

7) issuing and administering other means of payment, if the provision of such services is not considered the provision of services within the meaning of item (4) of this paragraph and pursuant to a special law;

8) safe custody services;

9) money broking; and

10) other services or activities that are, in terms of the manner of the provision and risk to which a savings bank is exposed, similar to the services referred to in items (1) to (9) of this paragraph and listed in the savings bank's authorisation.

(3) Savings banks may neither operate nor establish branches and representative offices outside the Republic of Croatia.

Preferential shares of savings banks

Article 333

Savings banks may not issue preferential shares.

Authorisations to savings banks intending to operate as banks

Article 334

(1) A savings bank intending to operate as a bank shall obtain authorisation in accordance with this Act to operate as a bank.

(2) The provisions of this Act governing the authorisation procedure shall apply *mutatis mutandis* to the authorisation procedure regarding a savings bank intending to operate as a bank.

(3) When deciding whether to grant the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank may require the chairperson and members of the management board to make a presentation detailing how they propose to direct the business of the bank.

(4) The decision on the authorisation referred to in paragraph (1) of this Article shall be based on:

1) documents delivered together with the application for authorisation;

2) the presentation referred to in paragraph (3) of this Article; and

3) other data and information available to it.

(5) The authorisation to operate as a savings bank shall lapse on the date of the issuance of the authorisation referred to in paragraph (1) of this Article.

TITLE XXVII
HOUSING SAVINGS BANKS

Housing savings banks

Article 335

The provisions of this Act shall apply to housing savings banks established pursuant to the provisions of the law governing housing savings and state incentive to housing savings, unless otherwise prescribed in other laws.

Protection of the name

Article 336

The words 'housing savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies or used in legal transactions only by the housing savings banks referred to in Article 335 of this Act, unless otherwise provided for in another law.

TITLE XXVIII
ASSOCIATION OF CREDIT INSTITUTIONS

Association of credit institutions

Article 337

(1) Credit institutions may join an association of credit institutions established as an economic interest group or other form of association of economic entities in accordance with a special law.

(2) In addition to the tasks laid down in its Articles of Association, an association of credit institutions may:

1) organise the processing and exchange of information on creditworthiness, including personal data, directly or through a separate legal entity, for the purpose of assessing creditworthiness or managing credit risk; and

2) provide professional training for employees of credit institutions and issue certificates of completion of the professional training.

(3) At the request of the Croatian National Bank, an association of credit institutions shall deliver to the Croatian National Bank its Articles of Association as well as all agreements, contracts and other general bylaws.

TITLE XXIX
EXCHANGE OF INFORMATION

Exchange of information for the purpose of assessing creditworthiness or managing credit risk

Article 338

(1) The Croatian National Bank may collect information, including personal data, from persons who are authorised pursuant to this Act to provide banking services within the territory of the Republic of Croatia and organise the exchange of information for the purpose of protection against and managing credit risk.

(2) An authorised credit institution with a head office in the Republic of Croatia and a credit institution, which is authorised pursuant to this Act to provide mutually recognised services within the territory of the Republic of Croatia, shall upon request exchange information, including personal data with regard to or in connection with its clients, for the purpose of assessing creditworthiness or managing credit risk with other credit institutions with a head office in the Republic of Croatia authorised by the Croatian National Bank and credit institutions authorised pursuant to this Act to provide mutually recognised services within the territory of the Republic of Croatia.

(3) The scope of information on and personal data of clients exchanged in accordance with paragraph (2) of this Article shall be limited to the data that are necessary for assessing creditworthiness or managing credit risk and shall contain the following information and data: data required for client's identification, in particular legal personality of the person, name and surname/name, personal identification number (OIB) or, if personal identification number is not available, another identification number, business entity registration number, information on existing and settled or otherwise closed client's obligations, in particular the obligation type, total amount of obligation, amount and periodicity of the annuity/instalment, timeliness in meeting obligations, number of past due obligations, their amount and number of days in default and the data and information in question can be exchanged for the period no longer than four years after the obligation was fully settled or otherwise closed.

(4) The exchange of information and personal data referred to in paragraph (2) of this Article can also be carried out through a legal person that collects and exchanges data between credit and/or financial institutions.

(5) A credit institution cannot refuse to exchange information and personal data referred to in paragraph (2) of this Article due to the different ways of data exchange used by the other credit institution.

TITLE XXX
DECISION-MAKING METHODS AND PROCEDURES OF THE CROATIAN NATIONAL BANK

Restitution

Article 339

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

Parties and language in administrative procedures

Article 340

(1) A party in the administrative procedure carried out by the Croatian National Bank may also be:

1) a branch of a credit institution from another Member State:

2) a third-country branch;

3) representative office of a credit institution established outside the Republic of Croatia.

(2) Where the procedure initiated at the request of the party in addition to the Croatian National Bank also includes the European Central Bank which exercises its powers and carries out its tasks referred to in paragraph (4) or (5) of Regulation (EU) No 1024/2013, the documents proving compliance with requirements may be submitted in the English language.

Submissions in electronic form

Article 341

(1) In administrative procedure initiated at the request of a party pursuant to this Act, submissions are made electronically if so provided by the IT system.

(2) Submissions shall be signed using a qualified electronic signature in accordance with a special regulation.

(3) Submissions in electronic form signed using a qualified electronic signature shall be considered signed by a handwritten signature.

(4) If a submission is not made in electronic form, the Croatian National Bank shall invite the person making the submission to make the submission in electronic form within a time limit of eight days.

(5) If the person making the submission fails to make the submission in electronic form within the set time limit, the submission shall be deemed as not made.

(6) The Croatian National Bank shall adopt a decision to reject the applications not submitted in electronic form.

(7) By way of derogation from paragraph (1) of this Article, if the person making the submission cannot make the submission in electronic form, the person making the submission shall notify the Croatian National Bank thereof in writing and upon receiving the notification the Croatian National Bank shall inform the person making the submission that it will accept the submission in writing either directly or via regular mail.

(8) The Croatian National Bank shall publish on its website:

1) a list of procedures for which submission is provided electronically;

2) instructions on the manner of accessing the IT system for electronic submissions.

Decision

Article 342

(1) Decisions adopted by the Croatian National Bank in an administrative procedure pursuant to this Act shall be written and fully reasoned.

(2) No complaint against the decision referred to in paragraph (1) of this Article shall be allowed, but administrative dispute against it may be initiated by an appeal.

(3) The administrative court shall decide on the appeal referred to in paragraph (2) of this Article under an emergency procedure and at the latest within three months of the date of its receipt.

(4) If the administrative court, contrary to paragraph (3) of this Article, reaches a decision after the expiry of three months, a complaint against this decision shall be allowed even in cases when this decision remands the case for renewed proceedings for the first time.

(5) The Croatian National Bank shall submit to the competent administrative court deciding on the complaint referred to in paragraph (2) of this Article in response to the complaint a description of the facts of the case and its assessment of these facts to serve the administrative court when deciding on the complaint.

(6) Where necessary for the purpose of establishing or clearing facts, the administrative court shall hear the authorised person of the Croatian National Bank who established and assessed these facts.

(7) In the appeal proceedings against the decision to appoint special administration, as regards the imposition of early intervention measures, the administrative court may not decide that the appeal has the effect of staying the execution or issue a temporary measure.

(8) A decision issued by the Croatian National Bank in an administrative procedure may contain a time limit, a condition, a charge, a reservation of the right to appeal or a recommendation.

Right to be heard

Article 343

(1) Before adopting a decision in accordance with this Act or Regulation (EU) No 575/2013 that could adversely affect the legal rights of a party, the Croatian National Bank shall, except in cases referred to in Article 97 or Articles 101, 103, 104 and Title XXXVIII, Chapter II of this Act, notify the party of all facts, circumstances and legal issues relevant to the adoption of the decision and invite the party to provide its comments in writing.

(2) The Croatian National Bank shall enclose the draft decision listing the relevant facts, circumstances and legal issues on which the Croatian National Bank intends to base its decision to the notification sent to the party in accordance with paragraph (1) of this Article.

(3) Where the Croatian National Bank deems it appropriate, it may provide the party with the opportunity to comment on the facts, circumstances and legal issues relevant to the adoption of the decision in an oral hearing.

(4) Where the Croatian National Bank schedules the oral hearing in accordance with paragraph (3) of this Article and the party duly summoned fails to attend the oral hearing without having duly excused itself, the Croatian National Bank may postpone the oral hearing and schedule a new oral hearing or invite the party to comment on the facts, circumstances and legal issues material to the adoption of the decision in writing.

(5) The Croatian National Bank shall provide the party with a time limit to comment on the notification referred to in paragraph (1) of this Article which may not exceed 14 days following the receipt of the notification.

(6) By way of derogation from paragraph (5) of this Article, the Croatian National Bank may, at the request of the party, extend the time limit for comments, and in exceptional circumstances, the Croatian National Bank may shorten the time limit for comments to three working days.

(7) By way of derogation from paragraphs (1) and (6) of this Article, the Croatian National Bank may, in urgent situations, in order to prevent significant damage to the financial system as a whole, adopt a temporary decision without providing the party with the opportunity to comment on the facts, circumstances and legal issues material to the adoption of the decision.

(8) In the case referred to in paragraph (7) of this Article, the Croatian National Bank shall make it possible to the party without delay to comment in writing on the facts, circumstances and legal issues material to the adoption of the decision within the time limit of ten days of the date of receipt of the decision referred to in paragraph (7) of this Act.

(9) At the request of the party, the Croatian National Bank may extend the time limit for the party's comments referred to in paragraph (8) of this Article by a maximum of six months.

(10) In the case referred to in paragraph (8) of this Article, the Croatian National Bank shall, after expiry of the time limit for the party's comments, adopt a decision resolving the administrative matter, taking into account the party's comment on the facts, circumstances and legal issues material to the adoption of the decision and with this decision withdraw the temporary decision referred to in paragraph (7) of this Article.

Access to files

Article 344

(1) In the course of the supervisory procedure of the Croatian National Bank as well as in the course of the administrative sanctions procedure, the party in the procedure shall be entitled to have access to the file.

(2) The file referred to in paragraph (1) of this Article shall consist of all documents obtained, produced or assembled by the Croatian National Bank during the supervisory procedure irrespective of the storage medium.

(3) Access to the file shall be granted to the party by means of an electronic data storage device including any that may become available in the future or through copies of the accessible files in paper form sent to the party by mail or by inviting the party to examine accessible files in the offices of the Croatian National Bank.

(4) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to confidential information of which the Croatian National Bank becomes aware in the course of supervision or other activities within its competence or of which the Croatian National Bank becomes aware in the course of exchange of information with other supervisory authorities in the Republic of Croatia or abroad or to the internal documents produced by the Croatian National Bank during the supervisory procedure or the administrative sanctions procedure, procedures for imposing administrative sanctions and periodic penalty payments.

(5) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to information that constitute business or professional secrets of legal persons or personal data of natural persons that are not parties to the procedure.

(6) Enabling access to the file to a party in the procedure shall not affect the right of the Croatian National Bank to disclose or use information necessary to prove a breach.

Amendments to decisions

Article 345

(1) In the course of supervision of a credit institution, the Croatian National Bank may amend its decision at the request of the party concerned or *ex officio*.

(2) The Croatian National Bank may amend its decision in cases where, after the granting of the authorisation, new circumstances have arisen which would or could influence the operation of the credit institution in question.

(3) The Croatian National Bank shall also take into account all facts and circumstances arising after the adoption of the decision referred to in paragraph (1) of this Article or after the granting of the authorisation.

Liability for damage

Article 346

The Croatian National Bank, employees of the Croatian National Bank and persons authorised by the Croatian National Bank shall not be liable for damage that may arise in the course of the performance of their

duties pursuant to this Act, Regulation (EU) No 575/2013 or regulations adopted pursuant to this Act and the Regulation, unless it is proven that they acted or failed to act intentionally or as a result of gross negligence.

TITLE XXXI
AUTHORISATION PROCEDURE

Initiation of authorisation or approval procedures

Article 347

(1) The Croatian National Bank may initiate an authorisation or approval procedure at the request of the party concerned or *ex officio*.

(2) The Croatian National Bank may initiate the procedure referred to in paragraph (1) of this Article *ex officio* or pursuant to the proposal of the European Central Bank or another competent authority if so provided for in this Act or Regulation (EU) No 575/2013.

Time limits

Article 348

(1) The time limit for deciding on:

1) the application for authorisation referred to in Articles 14 and 15 of this Act or the application for exemption from the obligation to obtain the authorisation referred to in Article 14, paragraph (9) of this Act, and all other applications referred to in Articles 20, 73 and Article 88, paragraph (5) of this Act shall be six months of receipt of a valid application;

2) the application for prior approval referred to in Articles 45, 46, 49 and 50 of this Act or Regulation (EU) No 575/2013 shall be three months of receipt of a valid application and may be extended in exceptional cases.

(2) The time limit for adopting a decision and for the notification of the decision referred to in paragraph (1), item (1) of this Article shall not exceed 12 months of the day of receipt of the application.

(3) The time limit referred to in paragraph (1), item (2) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure pursuant to Article 343 of this Act.

Renewed procedure

Article 349

The renewed procedure referred to in Article 47, paragraph (1), item (4) and Article 51, paragraph (1), item (3) of this Act may be initiated at the request of the party or *ex officio* within six years of the delivery date of the decision to the party.

Validity of application

Article 350

(1) Unless otherwise prescribed in this Act, in relation to procedures carried by the Croatian National Bank pursuant to this Act, an application shall be deemed valid after the party provides all information and documentation prescribed pursuant to this Act, subordinate legislation adopted pursuant to this Act or other relevant regulations and in cases referred to in Articles 45 and 49 of this Act after conducting an interview or hearing referred to in these Articles with the person for whom the application has been submitted.

(2) Where the Croatian National Bank establishes that the application is not complete, it shall request the application to be supplemented within a reasonable timeframe.

(3) Where the party fails to submit the requested information and documentation within the timeframe laid down in paragraph (2) of this Article, the Croatian National Bank shall reject the application.

TITLE XXXII
NOTIFICATION OF BREACHES OF APPLICABLE REGULATIONS

Notification of breaches of applicable regulations

Article 351

(1) The Croatian National Bank shall provide for a reliable mechanism of delivering notifications of breaches:

1) of this Act and subordinate legislation adopted pursuant to this Act;

2) Regulation (EU) No 575/2013 and regulations adopted pursuant to that Regulation (EU) No 575/2013;

3) other applicable acts of Union law which might affect prudential requirements;

4) Regulations or Decisions of the European Central Bank imposing requirements to entities subject to supervision.

(2) The notification of a breach may be delivered by any person who has information that the supervised entity is acting contrary to applicable regulations referred to in paragraph (1) of this Article.

(3) For the purpose of delivering the notifications referred to in paragraph (1) of this Article, the Croatian National Bank:

1) may adopt procedures to regulate the receipt of notifications of breaches and their follow-up, including clear rules on confidentiality of data concerning the person who delivers the notification and the natural person who allegedly, pursuant to the notification, committed the breach of applicable regulations;

2) shall ensure appropriate protection for persons who delivered the notification referred to in paragraph (1) of this Article for the purpose of their protection against possible discrimination, revenge or other types of unfair treatment.

(4) The Croatian National Bank shall be authorised to collect and process the personal data delivered to it pursuant to this Article, and shall treat the collected personal data in accordance with the regulations governing the protection of personal data.

(5) The Croatian National Bank may forward the data concerning the person who delivers the notification referred to in paragraph (1) of this Article and concerning the person the notification pertains to the competent authorities for the purpose of investigation in criminal proceedings or initiation of other court proceedings.

(6) The Croatian National Bank shall forward the data concerning the person the notification pertains to the European Central Bank or other competent authority when this is necessary for the purpose of the undertaking activities within their competence.

Obligations of credit institutions regarding notification of breaches of applicable regulations

Article 352

(1) Credit institutions shall prescribe internal procedures for their employees to report, internally through a specific, independent and autonomous internal channel, any possible breach of applicable regulations referred to in Article 351, paragraph (1) of this Act which shall also contain the manner in which credit institutions shall deal with such reports.

(2) The credit institution shall treat the collected personal data in accordance with the regulations governing the protection of personal data.

(3) Persons who receive the information referred to in paragraph (1) of this Article shall be bound by the duty to protect their confidentiality.

(4) By way of derogation from paragraphs (2) and (3) of this Article, the credit institution shall use the data referred to in paragraph (1) of this Article if necessary for the purpose of investigation in criminal proceedings or initiation of other court proceedings.

(5) Credit institutions shall not discriminate against employees who deliver the notification of breaches of applicable regulations referred to in Article 351, paragraph (1) of this Act or put them in a less favourable position than the position of other employees, and such notification shall not constitute grounds for termination of an employment contract or another contract under which an employee works for the credit institution.

(6) The requirement to provide the channel referred to in paragraph (1) of this Article may also be met through arrangements provided for by social partners.

TITLE XXXIII
IMPOSING ADMINISTRATIVE SANCTIONS

CHAPTER I
GENERAL PROVISIONS

Competence for carrying out the procedure for imposing administrative sanctions

Article 353

(1) The Croatian National Bank shall be competent for carrying out the procedure of imposing administrative sanctions, for establishing breaches and for imposing administrative sanctions on legal persons and responsible persons and other natural persons for breaches set out in this Act.

(2) The Croatian National Bank may initiate an administrative procedure for imposing administrative sanctions for breaches set out in this Act against natural persons, legal persons and responsible persons of that legal person or only against a legal person or only against one or more responsible persons of the legal person.

(3) The Croatian National Bank shall be competent for carrying out the procedure of imposing administrative sanctions, for establishing breaches and for imposing administrative sanctions against a branch of a credit institution from another Member State, a third-country branch and a responsible person competent to represent the founding credit institution in the operation of the branch, and the provisions of this Chapter shall apply *mutatis mutandis* to that procedure.

(4) When imposing administrative sanction on a member of senior management, a key function holder and/or other member of the credit institution's staff whose professional activities materially affect the risk profile of the credit institutions for breaches pursuant to this Act, the Croatian National Bank may impose administrative sanctions on the member of the board of the credit institution responsible for the area of operations of the said responsible persons.

(5) The administrative sanctions procedure may only be run by a person who in the preceding two years has not participated in the supervision of the party in the procedure.

(6) Administrative sanctions shall be effective, proportionate and dissuasive.

Type of and purpose of imposing administrative sanctions

Article 354

(1) Administrative sanctions shall include fines, warnings, administrative measures and periodic penalty payments.

(2) The Croatian National Bank shall impose fines aimed at sanctioning the perpetrators for breaches set out in this Act in the amount proportionate to the circumstances under which the breach was committed and appropriate to deter the perpetrator and other persons from such breaches in the future.

(3) The Croatian National Bank may impose a warning on the perpetrator for breaches set out in this Act if the breach in question is exceptionally light and, when given all the circumstances pertaining to the perpetrator, the conditions for achieving the purpose of the sanctions are met without imposing a fine.

(4) The Croatian National Bank may impose one or more administrative measures set out in this Act for the same breach or infringement regardless of imposed supervisory measures, other administrative sanctions or other measures when this is justified by the circumstances under which the breach was committed and aiming to deter the perpetrator and other persons from such breaches in the future.

(5) The Croatian National Bank shall impose periodic penalty payments for breaches set out in this Act which are under way, aiming to compel the perpetrator of the breach to return to compliance with the provisions breached.

(6) The imposition of periodic penalty payments shall not prevent the Croatian National Bank from imposing other administrative sanctions set out in this Act for the same breach.

Administrative measures

Article 355

(1) Administrative measures shall be:

1) a public statement which identifies the perpetrator, a responsible natural person, responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible natural person, responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking to cease the conduct and desist from repeating the breach;

3) a temporary suspension of voting rights of a holder of a qualifying holding or shareholder acting in concert, who committed the breach;

4) a temporary ban against the person who is held responsible to perform the function of a member of the management board, supervisory board, senior management, key function holder and other tasks of a staff member whose professional activities impact the risk profile of the credit institution, who committed the breach;

5) withdrawal of authorisation.

(2) A public statement for the purpose of this Chapter shall mean its publication on the website of the perpetrator or on the website of the Croatian National Bank.

(3) In the decision imposing the measure referred to in paragraph (1), item (1) of this Article the Croatian National Bank shall specify the manner of its execution in accordance with paragraph (2) of this Article.

(4) The provisions of Article 39, paragraphs (3) to (6) of this Act shall apply *mutatis mutandis* to administrative measure referred to in paragraph (1), item (3) of this Article.

(5) By way of derogation from Article 353, paragraph (4) of this Act, it shall not be allowed to impose a temporary measure of suspension of the voting rights of a holder of a qualifying holding pursuant to Article 39 of this Act and the administrative measure of the suspension of voting rights referred to in paragraph (1), item (3) of this Act for the same breach.

(6) The Croatian National Bank may impose the administrative measure referred to in paragraph (1), item (4) of this Article for a period of 3 to 18 months, with the temporary suspension relating exclusively to the performance of the function in the credit institution in which the person committed the breach, or to all credit institutions with head offices in the Republic of Croatia if there is danger of him/her repeating the breach by misusing the function.

(7) The Croatian National Bank shall also notify the decision referred to in paragraph (6) of this Article to the credit institution in which the perpetrator performs the function of a member of the management board, supervisory board, senior management, key function holder or other tasks.

(8) The administrative measure referred to in paragraph (1), item (5) of this Article may be imposed for reasons specified in Article 18 of this Act in the manner laid down in Regulation (EU) No 1024/2013.

Competence for adopting the decision on administrative sanctions

Article 356

(1) Decisions imposing a fine, a warning or an administrative measure shall be adopted by the Council of the Croatian National Bank.

(2) Decisions imposing periodic penalty payments shall be adopted by the Governor of the Croatian National Bank.

Delivery in the procedure of imposing administrative sanctions

Article 357

(1) When the Croatian National Bank initiates the procedure of imposing administrative sanctions against a legal person and the responsible person of the legal person for the same breach the delivery of documents to the responsible person of the legal person may be executed also to the address of the legal person provided that the responsible person of the legal person performs a function in the legal person at the time of delivery or is employed with the legal person.

(2) The Croatian National Bank may also effect the delivery of documents via a courier service.

(3) The Croatian National Bank shall effect the delivery of documents by publishing them if other forms of delivery are impossible or inappropriate.

Administrative dispute / Judicial protection

Article 358

(1) An appeal against the decision on imposing administrative sanctions shall stay the execution of that decision.

(2) By way of derogation from paragraph (1) of this Article, an appeal against the decision on imposing administrative measures referred to in Article 355, paragraph (1), items (3) and (4) of this Act shall not stay the execution of that decision.

(3) The public shall be excluded from hearings in administrative disputes.

Procedure of execution of the decision on imposing administrative sanctions and the total amount of periodic penalty payments

Article 359

(1) The Croatian National Bank shall lay down the manner and the time limit for payment of the imposed fine or of the total amount of periodic penalty payments, by means of the decision on imposing administrative sanctions imposing a fine or imposing the total amount of periodic penalty payments, which shall not be shorter than 30 days or longer than 6 months.

(2) Where the party fails to pay the fine or the total amount of periodic penalty payments within the set time limit, the Croatian National Bank shall submit to the authority competent for enforcement over monetary assets an order enforcing the payment of the fine or of the total amount of periodic penalty payments imposed by an enforceable decision in accordance with a special law governing the enforcement over monetary assets,

and the amount of enforced fines or the total amount of periodic penalty payments shall be credited directly to the state budget.

(3) Imposed fines or the total amount of periodic penalty payments shall be revenues of the state budget.

Limitation period for execution of the decision on imposing administrative sanctions and the total amount of periodic penalty payments

Article 360

(1) The decision on imposing a fine, administrative measure or the total amount of periodic penalty payments shall not be executed if a time limit of five years expires from the date of the enforceability of the decision on imposing a fine, administrative measure or the total amount of periodic penalty payments.

(2) The limitation period referred to in paragraph (1) of this Article shall begin to ran from the date of enforceability of the decision on imposing a fine, administrative measure or the total amount of periodic penalty payments.

(3) The limitation period referred to in paragraph (1) of this Article shall be interrupted:

1) during the time allowed to pay the imposed fine or the imposed total amount of periodic penalty payments; or

2) upon each action taken by the Croatian National Bank to execute the imposed fine, administrative measure or the imposed total amount of periodic penalty payments.

(4) After each interruption, the limitation period shall begin to run afresh and shall be expire after the expiry of the time limit of five years of the date of this interruption.

Total annual net turnover and average net daily turnover

Article 361

(1) The total annual net turnover shall be the sum of the following items, determined in accordance with Annexes III and IV of Commission Implementing Regulation (EU) 2024/3117 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451 (Text with EEA relevance) (OJ L, 27.12.2024) (hereinafter referred to as 'Commission Implementing Regulation (EU) No 2024/3117):

1) interest income;

2) interest expenses;

3) expenses on share capital repayable on demand;

4) dividend income;

5) fee and commission income;

6) fee and commission expenses;

7) net gains or losses on financial assets and liabilities held for trading;

8) net gains or losses on financial assets and liabilities designated at fair value through profit or loss;

9) net gains or losses from hedge accounting;

10) exchange differences (gain or loss);

11) other operating income;

12) other operating expenses.

(2) For the purpose of the implementation of this Article, the basis for calculation of the total annual net turnover shall be the most recent yearly supervisory financial information which produces an indicator above zero.

(3) If the party which is a legal person is not subject to Commission Implementing Regulation (EU) 2024/3117, the relevant total annual net turnover shall be the total annual net turnover or the corresponding type of income in accordance with the applicable accounting framework, and if this legal person is part of a group, the relevant total annual net turnover shall be equal to the total annual net turnover resulting from the consolidated annual financial accounts of the ultimate parent undertaking.

(4) The average net daily turnover shall be calculated so as to divide the total annual net turnover referred to in paragraph (1) of this Article by 365.

(5) For the purpose of carrying out the procedure of imposing administrative sanctions on a branch of a credit institution from another Member State or a third-country branch, the basis for calculation of a fine shall be the total turnover of the branch pursuant to the most recent annual financial information, while the average daily

turnover for the purpose of imposing periodic penalty payments shall be calculated so as to divide the total turnover by 365.

(6) At the request of the Croatian National Bank, the party shall be required to submit data for the calculation of the total annual net turnover referred to in paragraphs (1), (3) or (5) of this Article.

Records of imposed administrative sanctions

Article 362

(1) The Croatian National Bank shall keep records of imposed administrative sanctions.

(2) The Croatian National Bank shall provide data from the records of imposed administrative sanctions pursuant to a written reasoned request of the court or other government body if such data is necessary for exercising their powers.

(3) Every person has the right to request the data from the records of imposed administrative sanctions pertaining to that person.

(4) Upon the expiry of the period of five years of the date when the decision on imposing administrative sanctions or a court decision became final, the Croatian National Bank shall remove the data on the perpetrator from the records of imposed administrative sanctions.

Cooperation

Article 363

(1) In the exercise of its powers to impose administrative sanctions the Croatian National Bank shall cooperate closely with the authorities competent for imposing supervisory sanctions by which Articles 65 to 67 of Directive 2013/36/EU have been transposed into the national law in order to prevent accumulation and overlapping in the implementation of administrative sanctions to cross-border cases.

(2) The Croatian National Bank may carry out the procedure of imposing administrative sanctions and impose sanctions against a natural or legal person regardless of the conduct of misdemeanour or criminal proceedings against the same person for committing the criminal offence the content of which is equivalent to the breach of this Act, if such accumulation of proceedings, sanctions and penalties is necessary and proportionate to pursue different and complementary objectives of the general interest.

(3) In the case referred to in paragraph (2) of this Article, the Croatian National Bank shall, if aware of another authority carrying misdemeanour, criminal or similar proceedings against the same natural or legal person for committing a criminal offence the content of which is equivalent to the breach set out in this Act, inform that authority of the fact that the procedure of imposing administrative sanctions is being initiated before the Croatian National Bank or that administrative sanction has already been imposed.

CHAPTER II
PROCEDURE FOR IMPOSING FINES, WARNINGS AND ADMINISTRATIVE MEASURES

Investigation procedure

Article 364

(1) For the purpose of establishing all the facts and circumstances relevant for deciding on the imposition of a fine, a warning or an administrative measure, the Croatian National Bank shall carry out an investigation procedure in accordance with the law governing the general administrative procedure.

(2) When carrying out the investigation procedure referred to in paragraph (1) of this Article, the Croatian National Bank shall also have the powers conferred on it in the supervisory procedure.

(3) When carrying out the investigation procedure referred to in paragraph (1) of this Article, the Croatian National Bank may use any documentation and information obtained in the supervisory procedure of the credit institution and, if it deems it necessary, the documentation of other competent authorities collected within their supervisory powers or of other bodies, collected within their statutory powers.

(4) When carrying out the investigation procedure referred to in paragraph (1) of this Article, the Croatian National Bank may request the party to comment on all facts, circumstances and legal issues material for deciding or which may impact the determination of a fine, issuance of a warning or imposition of an administrative measure or which may impact the amount of the fine (mitigating and aggravating circumstances) and to submit data and documentation relevant for establishing the factual situation, as well as to disclose other evidence and submit comments on its financial standing.

(5) The Croatian National Bank shall set the time limit for submission of the comments and documentation referred to in paragraph (4) of this Article which may not be shorter than eight or longer than 30 days.

(6) By way of derogation from paragraph (5) of this Article, the Croatian National Bank may in duly justified cases at the request of the party extend the time limit for submission of comments by a maximum of 30 days.

(7) Where the party does not submit its comments within the time limit referred to in paragraphs (5) and (6) of this Article, the Croatian National Bank shall determine the facts and circumstances relevant for establishing the factual situation and determining the criteria for imposing a fine or a warning or an administrative measure, *ex officio* pursuant to its own findings, available data and documentation.

Oral hearing

Article 365

In the procedure for imposing administrative sanctions run by the Croatian National Bank pursuant to this Act, an oral hearing may be held which excludes the public.

Findings on the established factual situation

Article 366

(1) Upon the completion of an investigation procedure, the Croatian National Bank shall draw up the findings on the established factual situation, which shall contain:

1) the established factual situation;

2) the provision of this Act pursuant to which and in relation to which a breach has been established; and

3) the fine or warning imposed, and/or administrative measures, and the mitigating and aggravating circumstances taken into account when determining these administrative sanctions, as well as the circumstances that affected the amount of the fine imposed if the administrative sanction imposed is a fine.

(2) The Croatian National Bank shall submit the findings referred to in paragraph (1) of this Article to the party and invite the party to provide its comments within a time limit which may not be shorter than eight days or longer than 30 days of the receipt of the findings.

(3) Where the Croatian National Bank deems that the facts and evidence from the party's comments referred to in paragraph (2) of this Article are decisive, it shall draw up new findings on the established factual situation and submit them to the party in accordance with paragraph (2) of this Article.

(4) Until the completion of the procedure, the Croatian National Bank may amend the findings referred to in paragraph (1) of this Article and submit them to the party for its comments in accordance with paragraph (2) of this Article.

(5) Where it is determined in the course of the procedure that there are no grounds for imposing a fine or a warning or an administrative measure, the Governor of the Croatian National Bank shall adopt a decision to suspend the procedure.

Criteria for determining the fine, the warning or administrative measures

Article 367

(1) The Croatian National Bank shall take into consideration all circumstances having an impact on determining the fine, the warning or administrative measure, in particular the circumstances such as:

1) the seriousness, repetition, frequency or duration of the breach;

2) the degree of responsibility of the party;

3) the impact of the breach on prudential requirements and other impacts of the breach on the credit institution;

4) the financial strength of the party;

5) the amount of profits gained or losses avoided by the party, insofar as they can be determined;

6) the losses for third parties caused by the breach, insofar as they can be determined;

7) cooperation of the party with the Croatian National Bank;

8) the behaviour by the party after the breach;

9) admission of the breach by the party;

10) previous breaches attributed to the party;

11) the consequences of such breaches for the stability of the financial system and consumers;

12) any potential systemic consequences of the breach; and

13) previous administrative sanctions imposed and breaches attributed to the party.

(2) The breach shall be insignificant if the degree of the breach is insignificant and there is no need to impose a fine, a warning or an administrative measure on the perpetrator.

(3) Breaches for profit that resulted in material gain for the party may be punished more strictly, up to twice the prescribed amount of the fine for the breach in question.

(4) If the Croatian National Bank carries out one procedure for imposing a fine, a warning or an administrative measure for multiple breaches and if it imposes a fine for each individual breach the final amount of the imposed fine shall constitute the sum of individual fines imposed for each individual breach.

(5) By way of derogation from paragraph (4) of this Article, the Croatian National Bank may reduce the final amount of the total fine calculated in accordance with paragraph (4) of this Article if the payment of this amount would lead or might lead to insolvency or illiquidity of the credit institution or cause the party serious financial distress.

Limitation period for the procedure for imposing fines, warnings and administrative measures

Article 368

(1) The breach shall be considered to have occurred when the perpetrator was working or was required to work, irrespective of the time when the consequence of the breach occurred.

(2) The procedure for imposing a fine, a warning or an administrative measure may not be initiated after the expiry of the time limit of five years of the date when the breach occurred.

(3) Where the perpetrator's activity consists of several separate actions which did not take place at the same time, the breach shall be considered to have been committed on the date of the last action, and in case of ongoing breaches, on the date of termination of the last action.

(4) The limitation period referred to in paragraph (1) of this Article shall be interrupted with each action taken by the Croatian National Bank for the purpose of establishing a breach and imposing a fine, a warning or administrative measure because of the breach and the interruption of the limitation period begins to run from the date when the party was notified of the action taken by the Croatian National Bank.

(5) Each interruption shall cause the limitation period to begin to run afresh; however, the limitation period shall expire at the latest on the day on which a period equal to twice the duration of the period referred to in paragraph (1) of this Article has elapsed without the Croatian National Bank having imposed a fine, a warning or an administrative measure.

(6) The limitation period for imposing a fine, a warning or an administrative measure referred to in paragraph (5) of this Article shall not run:

1) for the duration of the proceedings initiated before the administrative court against the decision on the imposition of a fine, a warning or an administrative measure; and

2) for the duration of criminal proceedings against the party in connection with the same facts.

CHAPTER III
PROCEDURE FOR IMPOSING PERIODIC PENALTY PAYMENTS

Periodic penalty payments

Article 369

(1) The Croatian National Bank shall determine periodic penalty payments in the decision determining periodic penalty payments or in the decision imposing supervisory measures in accordance with the provisions of this Act.

(2) The provisions of Title XXX of this Act shall apply *mutatis mutandis* to the procedure for adopting the decision determining periodic penalty payments and the decision imposing the total amount of periodic penalty payments.

(3) Where it is determined in the course of the procedure that there are no grounds for imposing periodic penalty payments, the Governor of the Croatian National Bank shall adopt a decision to suspend the procedure.

Determining the amount of periodic penalty payments

Article 370

(1) The Croatian National Bank shall determine the amount of periodic penalty payments for each day of the breach, specify the start date of periodic penalty payments and the time limit the party is given to comply with the provisions it breaches, which may not be longer than six months, in the decision determining periodic penalty payments or in the decision imposing supervisory measures.

(2) The upper limit of the periodic penalty payment imposed on a legal person per day of the breach shall be 5% of the average net daily turnover of that person or EUR 50,000.00 for a responsible person of the legal person or another natural person.

(3) When determining the periodic penalty payments the Croatian National Bank shall take into account the potential impact of periodic penalty payments on the financial situation of the party in breach and avoid causing the party financial distress, as well as the potential profits gained or losses avoided because of the breach.

Determining the total amount of periodic penalty payments.

Article 371

(1) If the party acted in accordance with the decision determining periodic penalty payments and complied with the provisions it breached, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, specify the date of the termination of the breach, determine the total amount of periodic penalty payments for every day that has passed since periodic penalty payments started accruing until the party started complying with the provisions it breached, and determine the time limit in which the credit institution is required to pay the said amount.

(2) If the party failed to act in accordance with the decision determining periodic penalty payments and comply with the provisions it breached, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, specify that the party failed to remedy the breach in the provided time limit, determine the total amount of periodic penalty payments for each day of the provided time limit, and determine the time limit in which the credit institution is required to pay the said amount.

(3) By way of derogation from paragraphs (1) and (2) of this Article, the Croatian National Bank may reduce the total amount of periodic penalty payments calculated in accordance with paragraph (1) or paragraph (2) of this Article if the payment of this amount would lead or might lead to insolvency or illiquidity of the credit institution or cause the party serious financial distress.

TITLE XXXIV
RANKING IN INSOLVENCY HIERARCHY OF ITEMS OF OWN FUNDS OF FINANCIAL INSTITUTIONS AND HOLDING COMPANIES

Ranking in insolvency hierarchy of own funds items of financial institutions and holding companies

Article 372

(1) In normal insolvency proceedings opened against individual financial institutions or holding companies all claims resulting from own fund items of these entities shall have lower priority ranking than any claim that does not result from an own funds item of these entities.

(2) The financial institutions and holding companies referred to in paragraph (1) of this Article mean:

1) a financial institution having its head office in the Republic of Croatia which is a subsidiary of the credit institution or company referred to in item (2) or (3) of this paragraph and is included in the supervision of the parent undertaking on a consolidated basis in accordance with Articles 6 to 17 of Regulation (EU) No 575/2013;

2) a financial holding company, a mixed financial holding company and a mixed-activity holding company having its head office in the Republic of Croatia;

3) an RC parent financial holding company, an EU parent financial holding company having its head office in the RC, an RC parent mixed financial holding company and an EU parent mixed financial holding company having its head office in the RC.

(3) Where an instrument is only partly recognised as an own funds item, the whole instrument shall be treated as a claim resulting from an own funds item and shall rank lower than any claim that does not result from an own funds item.

(4) Normal insolvency proceedings mean insolvency proceedings which entail the partial or total divestment of a debtor or the appointment of a liquidator or an administrator normally applicable to institutions under national law and either specific to those institutions or generally applicable to any natural or legal person, while in the Republic of Croatia this means bankruptcy proceedings.

TITLE XXXV
BREACHES OF REGULATIONS AND PENALTY PROVISIONS

CHAPTER I
BREACHES OF REGULATIONS

Breaches by legal and natural persons

Article 373

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a legal or a natural person and a responsible person of a legal person if one of the following breaches is established:

1) if it takes deposits or other repayable funds from the public without authorisation, which is contrary to the provision of Article 11, paragraph (5) of this Act;

2) if it commences the activities of a credit institution or carries out the activities of a credit institution without prior authorisation, which is contrary to the provision of Article 14, paragraph (2) of this Act;

3) if it carries out any of the activities referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 without authorisation when the threshold referred to in Article 14 paragraph (6) of this Act is reached and if the person failed to obtain the exemption pursuant to Article 14, paragraph (9) of this Act, which is contrary to the provision of Article 14, paragraph (2) of this Act;

4) if the credit institution, the financial holding company or the mixed financial holding company that has been granted approval referred to in Article 87 of this Act carries out a status change, which is contrary to the provision of Article 24 of this Act;

5) if without prior approval or despite the opposition by the European Central Bank it directly or indirectly acquired a qualifying holding a credit institution, which is contrary to the provision of Article 31, paragraph (1) of this Act;

6) if without prior approval or despite the opposition by the European Central Bank it further increases its qualifying holding in a credit institution through direct or indirect acquisition, whereby its holding in the capital or voting rights reached or exceeded the thresholds referred to in Article 31, paragraph (3) of this Act, which is contrary to the provision of Article 31, paragraph (3) of this Act.

7) if it sold or otherwise disposed of its shares thereby reducing its holdings below the threshold for which it obtained prior approval or if the credit institution stopped being its subsidiary, without previously notifying the Croatian National Bank thereof, which is contrary to the provision of Article 31, paragraph (7) of this Act;

8) if, as an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company and an EU parent mixed financial holding company, which is a member of the group of credit institutions in the RC referred to in Article 135 of this Act, it fails to submit an application for approval, which is contrary to the provision of Article 87, paragraph (1) of this Act;

9) if, as a financial holding company or a mixed financial holding company required to comply with this Act and/or Regulation (EU) no 575/2013 on a sub-consolidated basis, or, if designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis in accordance with Article 88, paragraph (2), item (4) of this Act, it fails to submit an application for approval, which is contrary to the provision of Article 87, paragraph (2) of this Act;

10) if, as a financial holding company or a mixed financial holding company, it fails to meet the conditions referred to in Article 87, paragraph (11) on an ongoing basis, which is contrary to the provision of Article 87, paragraph (12) of this Act;

11) if, as a financial holding company or a mixed financial holding company, it fails to notify the Croatian National Bank without delay that the circumstances based on which the approval was granted have changed, which could impact the meeting of conditions referred to in Article 87, paragraph (11) of this Act, which is contrary to provisions of Article 87, paragraph (12) of this Act;

12) if, as a financial holding company or a mixed financial holding company, it fails to submit to the Croatian National Bank as the consolidating supervisor, at the latest four months after the expiry of the calendar year, the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in Article 87, paragraph (11) of this Act, which is contrary to the provision of Article 87, paragraph (14) of this Act;

13) if, as a financial holding company or a mixed financial holding company, it acts contrary to the subordinate legislation adopted pursuant to Article 87, paragraph (16) of this Act;

14) if, as a financial holding company or a mixed financial holding company, it fails to notify the Croatian National Bank without delay that the circumstances based on which the exemption was granted have changed, which could impact the meeting of conditions for exemption, which is contrary to provisions of Article 88, paragraph (6) of this Act;

15) if, as a financial holding company or a mixed financial holding company, it fails to submit to the Croatian National Bank as the consolidating supervisor, at the latest four months after the expiry of the calendar year, the information required to monitor on an ongoing basis the organisational structure of the group and

compliance with the conditions referred to in Article 88, paragraph (2) of this Act, which is contrary to the provision of Article 88, paragraph (8) of this Act;

16) if, as a financial holding company or a mixed financial holding company, it acts contrary to the subordinate legislation adopted pursuant to Article 88, paragraph (10) of this Act;

17) if, as a financial holding company or a mixed financial holding company, within three months of receipt of the decision of the Croatian National Bank rejecting the application for exemption from the obligation referred to in Article 88 of this Act, or, if it has been established in the course of monitoring on an ongoing basis that the conditions for exemption have ceased to be met, it fails to submit to the Croatian National Bank an application for approval referred to in Article 87 of this Act, which is contrary to the provision of Article 89, paragraph (4) of this Act;

18) if, as a credit institution, a financial holding company or a mixed financial holding company referred to in Title X of this Act, it fails to notify the Croatian National Bank of each intended acquisition, carried out by concluding a legal arrangement or by establishing an undertaking or a legal person, by which, it, gradually or immediately, directly or indirectly, acquired a holding of 15% or more of their eligible capital, which is contrary to the provision of Article 291, paragraph (1) of this Act;

19) if, as a credit institution, a financial holding company or a mixed financial holding company referred to in Title X of this Act, it fails to notify the Croatian National Bank in writing, or, the notification does not contain the scope of the intended acquisition or information and documentation prescribed in the subordinate legislation adopted pursuant to Article 292, paragraph (8) of this Act, which is contrary to the provision of Article 291, paragraph (2) of this Act;

20) if, as a credit institution, a financial holding company or a mixed financial holding company referred to in Title X of this Act, it fails to notify the Croatian National Bank it intends to dispose, directly or indirectly, of a material holding, which is contrary to the provision of Article 294, paragraph (1) of this Act, or fails to submit the notification in writing, or fails to indicate the size of the holding it intends to dispose, which is contrary to the provision of Article 294, paragraph (2) of this Act;

21) if, as a credit institution, a financial holding company or a mixed financial holding company referred to in Title X of this Act, it fails to notify the Croatian National Bank prior to the transfer, either through a sale or any other type of legal arrangement, irrespective of whether the proposed operation involves only entities from the same group, of the intention of any material transfer of assets of liabilities, or it fails to make the notification in writing in advance of the transfer, regardless whether it is executed through a sale or other type of legal arrangement, which is contrary to the provision of Article 296, paragraph (1) of this Act;

22) if a credit institution, a financial holding company, a mixed financial holding company or a natural person fails to meet the requirements of the decision adopted by the Croatian National Bank or the European Central Bank in accordance with the provisions of this Act or in accordance with Regulation (EU) No 575/2013.

(2) A legal person shall be fined in the amount of up to 10% of the total annual net turnover of the legal person for the breaches referred to in paragraph (1) of this Article and if determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(3) A responsible person of a legal person shall be fined up to EUR 5 million for the breach referred to in paragraph (1) of this Article.

(4) A natural person shall be fined up to EUR 5 million for the breaches referred to in paragraph (1), items (2), (4) and (5) of this Article.

(5) Periodic penalty payments can be imposed for the breaches referred to in paragraph (1) of this Article:

1) in case of a legal person, up to 5% of the average daily net turnover for each day of the ongoing breach;

2) in case of a natural person, up to EUR 50,000.00 for each day of the breach for an ongoing breach.

(6) The following administrative measures can be imposed for the breaches referred to in paragraph (1) of this Article:

1) a public statement which identifies the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking or the responsible or natural person to cease the conduct and desist from repeating the breach;

3) a temporary suspension of voting rights of a holder of a qualifying holding or shareholder acting in concert, who committed the breach; and

4) a temporary ban against the person who is held responsible to perform the function of a member of the management board, supervisory board, senior management, key function holder and other tasks of a staff member whose professional activities impact the risk profile of the credit institution, who committed the breach;

Breaches by credit institutions, financial holding companies and mixed financial holding companies

Article 374

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a legal person or a responsible person of a legal person if one of the following breaches is established:

1) if it fails to ensure that the chairperson and the members of the credit institution's management board, at all times, fulfil the criteria for membership in the management board in accordance with Article 44, paragraph (2) of this Act;

2) if it fails to assess the suitability of the chairperson or members of the management board prior to submitting the application referred to in Article 45, paragraph (2) of this Act or fails to periodically assess their suitability, which is contrary to the provision of Article 44, paragraph (2) of this Act;

3) if it fails to remove from office in a timely manner a member of the management board in relation to whom, based on the conducted suitability assessment, it concludes that he does not fulfil the criteria referred to in Article 44, paragraph (1) of this Act, or, in relation to him/her fails to undertake timely corrective action necessary to ensure that the member of the management board fulfils the criteria referred to in Article 44, paragraph (1) of this Act, which is contrary to the provision of Article 44, paragraph (3) of this Act;

4) if immediately after becoming aware of new facts or other circumstances that can affect the suitability of the members of the management board it fails to reassess whether the criteria referred to in Article 44, paragraph (1) of this Act continue to be met and fails to notify the Croatian National Bank without delay of the results of the assessment, which is contrary to the provision of Article 44, paragraph (4) of this Act;

5) if it appoints a member to the management board without prior approval of the Croatian National Bank which is contrary to the provision of Article 45, paragraph (1) of this Act;

6) if it fails to ensure that the chairperson or members of the credit institution's supervisory board, at all times, meet the criteria for membership in the supervisory board in accordance with Article 48, paragraph (1) of this Act, which is contrary to the provision of Article 48, paragraph (2) of this Act;

7) if it fails to assess the suitability of the chairperson or members of the supervisory board prior to submitting the application referred to in Article 49, paragraph (2) of this Act or fails to periodically assess their suitability, which is contrary to the provision of Article 48, paragraph (2) of this Act;

8) if it fails to remove from office in a timely manner a member of the supervisory board in relation to which, based on the conducted suitability assessment, it concludes that he does not fulfil the criteria referred to in Article 48, paragraph (1) of this Act, or, in relation to him/her, fails to undertake timely corrective action necessary to ensure that the member of the supervisory board fulfils the criteria referred to in Article 44, paragraph (1) of this Act, which is contrary to the provision of Article 48, paragraph (3) of this Act;

9) if, immediately after becoming aware of new facts or other circumstances that can affect the suitability of the members of the supervisory board, it fails to reassess whether the criteria referred to in Article 48, paragraph (1) of this Act continue to be met and fails to notify the Croatian National Bank without delay of the results of the assessment, which is contrary to the provision of Article 48, paragraph (4) of this Act;

10) if the supervisory board of a credit institution which is not a small and non-complex credit institution and the supervisory board of a credit institution whose securities have been listed in the regulated market as defined in the law governing the capital market do not have a sufficient number of independent members, which is contrary to the provision of Article 48, paragraph (6) of this Act;

11) if the supervisory board of the credit institution referred to in Article 48, paragraph (7) of this Act does not have at least one independent member, which is contrary to the provision of Article 48, paragraph (7) of this Act;

12) if it elects or appoints a member of the supervisory board without prior approval of the Croatian National Bank, which is contrary to the provision of Article 49, paragraph (1) of this Act;

13) if, on becoming aware of the fact that a natural or legal person acquired a qualifying holding or that a holder of a qualifying holding sold or otherwise disposed of their shares that caused their holdings to exceed or fall below the threshold for which they obtained prior approval, it fails to notify the Croatian National Bank without delay, which is contrary to the provision of Article 212, paragraph (1), item (9) of this Act;

14) where, if its shares are listed for trading on a regulated market, it fails, at least annually, to inform the Croatian National Bank on the names of holders of qualifying holdings and the size of such holdings, which is contrary to the provision of Article 213 of this Act;

15) if a credit institution has no governance arrangements in place that are proportionate to the nature, scale and complexity of its activities and the risks inherent in its business model, or if it fails to establish and implement effective and sound governance arrangements which does not include a clear organisational structure with well-defined transparent and consistent lines of responsibility and accountability within the credit institution, or effective management of all risks to which the credit institution is or might be exposed in its operation, including short-, medium- and long-term ESG risks, as well as concentration risk arising from exposures towards central counterparties, taking into consideration the criteria referred to in Article 7a of Regulation (EU) No 648/2012, or adequate internal control mechanisms, including sound administrative and accounting procedures or gender neutral remuneration policies and practices that are consistent with and promote sound and effective risk management, taking into account the credit institution's risk appetite in relation to ESG risk and their application, or appropriate network and information systems that are set up and managed in accordance with Regulation (EU) 2022/2554, which is contrary to the provision of Article 181 of this Act;

16) if it fails to establish, or it fails to apply remuneration policy that is proportionate to its size, internal organisation and the nature, scale and complexity of its activities, which is contrary to the provision of Article 200, paragraph (1) of this Act;

17) if it fails to set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component, which is contrary to the provision of Article 201, paragraph (1) of this Act;

18) if it determines the ratio between the variable and fixed components of the total remuneration of a staff member, without the conditions referred to in Article 201, paragraph (2) of this Act being met, which is contrary to the provision of Article 201, paragraph (2) of this Act;

19) if, within five working days after the date the general assembly was held, it fails to notify the Croatian National Bank of the decision adopted at the general assembly on the approved higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio and, if it applies different higher ratios to different business units, control and other functions and different categories of identified staff, including a higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio, which is contrary to the provision of Article 201, paragraph (3) of this Act;

20) if, to award variable remuneration, it uses the types of instruments in the form of ordinary shares of a credit institution which is its direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is its direct or indirect parent, where the use of instruments issued by the credit institution itself for management of capital at the level of the group of credit institutions of which the credit institution is a member itself was not prevented or significantly hindered, which is contrary to Article 202 of this Act;

21) if it fails to report to the Croatian National Bank information concerning large exposures or provides incomplete or inaccurate information, which is contrary to Article 394, paragraph (1) of Regulation (EU) No 575/2013;

22) if it fails to report to the Croatian National Bank information concerning liquidity or provides incomplete or inaccurate information, which is contrary to Article 415, paragraphs (1) and (2) of Regulation (EU) No 575/2013;

23) if it fails to maintain a net stable funding ratio, which is contrary to Article 413 or Article 428b of Regulation (EU) No 575/2013, or repeatedly or persistently fails to maintain liquid assets, which is contrary to Article 412 of Regulation (EU) No 575/2013;

24) if it fails to disclose information or provides the Croatian National Bank with incomplete or inaccurate information which is contrary to Article 431, paragraphs (1), (2) and (3) or Article 451, paragraph (1) of Regulation (EU) No 575/2013;

25) if it makes payments to holders of instruments included in the own funds, which is contrary to Article 250 of this Act, or if the credit institution makes payments to holders of instruments included in own funds in cases where Articles 28, 52 or 63 of Regulation (EU) No 575/2013 prohibit such payments;

26) if a credit institution, a parent credit institution, a parent financial holding company or a mixed financial holding company fails to take measures necessary to meet prudential requirements set out in Parts Three, Four, Six or Seven of Regulation (EU) No 575/2013 or imposed in accordance with Articles 107 or 110 of this Act on a consolidated, sub-consolidated or individual basis;

27) if a credit institution fails to meet the own funds requirements set out in Article 92, paragraph (1) of Regulation (EU) No 575/2013;

28) if a credit institution, a financial holding company, a mixed financial holding company or a natural person repeatedly fails to meet the requirements of the decision adopted by the Croatian National Bank or the

European Central Bank in accordance with the provisions of this Act or in accordance with Regulation (EU) No 575/2013;

29) if a credit institution fails to meet the requirements relating to the components, conditions, adjustments and deductions relating to own funds as set out in Part Two of Regulation (EU) No 575/2013;

30) if a credit institution fails to meet the requirements relating to its large exposures to a single person or group of connected clients referred to in Part Four of Regulation (EU) No 575/2013;

31) where a credit institution fails to meet the requirements relating to the calculation of the leverage ratio buffer, including derogations referred to in Part Seven of Regulation (EU) No 575/2013;

32) if a credit institution fails to submit to the Croatian National Bank the information referred to in Article 430, paragraph (1), (2) or (3) and Article 430a of Regulation (EU) No 575/2013 or submits incomplete or inaccurate information;

33) if a credit institution fails to meet the requirements relating to data collection and management referred to in Part Three, Title III, Chapter 2 of Regulation (EU) No 575/2013;

34) if a credit institution fails to meet the requirements relating to the calculation of risk weighted exposure amounts or capital requirements or fails to apply governance arrangements set out in Part Three, Titles II to VI of Regulation (EU) No 575/2013;

35) if a credit institution fails to meet the requirements relating to the calculation of the liquidity coefficient or net stable funding ratio referred to in Part Six, Titles I and IV of Regulation (EU) No 575/2013 and delegated act referred to in Article 460, paragraph (1) of Regulation (EU) No 575/2013;

36) if a credit institution obtains the prior approval necessary pursuant to Regulation (EU) No 575/2013 or this Act based on false information or in another unlawful manner or ceases to meet the conditions for obtaining that approval without notifying the Croatian National Bank thereof.

(2) A credit institution, a financial holding company or a mixed financial holding company shall be fined in the amount of up to 10% of the total annual net turnover of the legal person for the breaches referred to in paragraph (1) and if it has been determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(3) A responsible person of a credit institution, a financial holding company or a mixed financial holding company shall be fined up to EUR 5 million for the breach referred to in paragraph (1) of this Article.

(4) Periodic penalty payments can be imposed for the breaches referred to in paragraph (1) of this Article:

1) in case of a credit institution, a financial holding company or a mixed financial holding company, up to 5% of the average daily net turnover for each day of the breach for an ongoing breach;

2) in case of a responsible person of a credit institution, a financial holding company or a mixed financial holding company, up to EUR 50,000.00 for each day of the breach for an ongoing breach.

(5) The following administrative measures can be imposed for the breaches referred to in paragraph (1) of this Article:

1) a public statement which identifies the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company, or intermediate parent undertaking or responsible person and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible credit institution, a financial holding company, a mixed financial holding company, or intermediate parent undertaking or a responsible or natural person to cease the conduct and desist from repeating the breach;

3) a temporary suspension of voting rights of a holder of a qualifying holding or shareholder acting in concert, who committed the breach;

4) a temporary ban against the person who is held responsible to perform the function of a member of the management board, supervisory board, senior management, key function holder and other tasks of a staff member whose professional activities impact the risk profile of the credit institution, who committed the breach;

5) withdrawal of authorisation to the credit institution that committed the breach.

Other breaches by credit and parent institutions

Article 375

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a credit institution, a financial holding company, a mixed financial holding company, or a responsible person of that legal person, or, if the provisions of this Act pertain to a branch of a credit institution, on a branch of a credit institution from another Member State, a third-country branch and a responsible person of a branch, if one of the following breaches is established:

1) if it carries out any activity other than the activity of the provision of banking and financial services for which it has been authorised and ancillary services, which is contrary to the provision of Article 14, paragraph (3) of this Act;

2) if it fails to deliver the decision to withdraw the authorisation to provide financial services to the competent commercial court within eight days or fails to publish it on its website without delay, which is contrary to the provision of Article 22, paragraph (2) of this Act;

3) if, after the adoption of the draft terms of the proposed status change referred to in Article 23, paragraph (3) of this Act, it fails to notify the Croatian National Bank, which is contrary to the provision of Article 24, paragraph (1) of this Act;

4) if, prior to the completion of the status change referred to in Article 23, paragraph (3) of this Act, it fails to notify the Croatian National Bank, which is contrary to the provision of Article 24, paragraph (1) of Act;

5) if it completes the status change or enters the status change in the register of companies before the Croatian National Bank adopts the decision on the proposed status change or in the case referred to in Article 24, paragraph (16) before the expiry of the time limit referred to in that paragraph, which is contrary to the provision of Article 24, paragraph (13) of this Act;

6) if it fails to carry out the status change within the time limit set by the Croatian National Bank, which is contrary to the provision of Article 24, paragraph (17) of this Act;

7) if it, directly or indirectly, grants credits or issues guarantees or other commitments for the acquisition of its own shares or of shares and holdings in undertakings in whose capital it participates with a share of 20% or more, which is contrary to the provision of Article 28, paragraph (1) of this Act;

8) if it, directly or indirectly, grants credits or issues guarantees or other commitments for the acquisition of other financial instruments issued by it, or by an undertaking in whose capital it participates with a share of 20% or more, which is contrary to the provision of Article 28, paragraph (2) of this Act;

9) if, the amount of credits or guarantees referred to in Article 28, paragraph (4) of this Act exceeds 10% of the credit institution's initial capital, which is contrary to the provision of Article 28, paragraph (5) of this Act;

10) if the amount of initial capital relating to preferential shares exceeds one quarter of the credit institution's initial capital, which is contrary to the provision of Article 29 of this Act;

11) if it acquires a qualifying holding in a legal person which has a qualifying holding in that credit institution, contrary to the provision of Article 30, paragraph (2) of this Act;

12) if it fails to ensure that a holder of a qualifying holding whose voting rights at the general assembly have been suspended does not exercise any rights arising from any share for which voting rights have been temporarily suspended, which is contrary to the provision of Article 39, paragraph (6) of this Act;

13) if it, without delay and at the latest within three working days, fails to notify the Croatian National Bank of the termination of the term of office of members of the management or supervisory board or if it fails to state the reasons for the termination, which is contrary to the provision of Article 41, paragraph (5) of this Act;

14) if it does not have at least two members of the management board who direct the business of the credit institution and represent it, of which one is appointed chairperson of the management board, which is contrary to the provision of Article 42, paragraph (1) of this Act;

15) if, contrary to the Articles of Association of the credit institution, the members of the management board do not jointly direct the business of the credit institution or jointly represent it, which is contrary to the provision of Article 42, paragraph (3) of this Act;

16) if the members of the credit institution's management board are not employed with the credit institution or are not employed full time, which is contrary to the provision of Article 43, paragraph (1) of this Act;

17) if it fails to ensure that contracts pursuant to which management board members are employed with a credit institution contain a provision specifying that such contracts shall be terminated upon the appointment of a deputy management board member replacing that management board member, the appointment of special administration, the appointment of resolution administration or a liquidator, which is contrary to the provision of Article 43, paragraph (2) of this Act;

18) if it pays severance pay or variable remuneration to the member of the management board whose employment contract has been be terminated upon the appointment of a deputy management board member replacing that management board member, the appointment of special administration, the appointment of resolution administration or a liquidator, which is contrary to the provision of Article 43, paragraph (3) of this Act;

19) if it acts contrary to subordinate legislation adopted pursuant to the provision of Article 44, paragraph (9) of this Act;

20) if it fails to have the employees' representative that is appointed to the supervisory boardy of a credit institution appointed as member of the remuneration committee, which is contrary to the provision of Article 48, paragraph (14) of this Act;

21) if it fails to ensure adequate personnel and financial conditions for induction and training of the supervisory board member who is an employees' representative, which is contrary to the provision of Article 48, paragraph (15) of this Act;

22) if it acts contrary to subordinate legislation adopted pursuant to Article 48, paragraph (18) of this Act;

23) if, at least four months prior to the planned appointment of an individual supervisory board member, it fails to submit to the Croatian National Bank an application for prior approval to perform a function of a member or a chairperson of the supervisory board, which is contrary to the provision of Article 49, paragraph (16) of this Act;

24) if it fails to identify key functions, which is contrary to the provision of Article 52, paragraph (1) of this Act;

25) if it fails to ensure that a key function holder, at all times, fulfils the suitability criteria in accordance with Article 52, paragraph (2) of this Act, which is contrary to the provision of Article 52, paragraph (3) of this Act;

26) if it fails to assess the suitability of a key function holder before he or she assumes office or fails to conduct a periodic assessment of his or her suitability, which is contrary to the provision of Article 52, paragraph (3) of this Act;

27) if it appoints a person who does not fulfil the criteria referred to in Article 52, paragraph (2) to be appointed a key function holder, if the assessment has been completed before the person assumed office or if it fails to remove that person from the office of the key function holder in a timely manner or fails to undertake, in a timely manner, additional measures to ensure that a key function holder is or becomes suitable, which is contrary to the provision of Article 52, paragraph (4) of this Act;

28) if it fails to undertake all necessary measures to ensure that the function of a key function holder is carried out in an appropriate manner, including the replacement of a key function holder where this person ceases to fulfils the suitability criteria, which is contrary to the provision of Article 52, paragraph (5) of this Act;

29) if it acts contrary to subordinate legislation adopted by the Croatian National Bank pursuant to Article 52, paragraph (8) of this Act;

30) if it, within three working days of the appointment of a head of internal control function or chief financial officer, fails to submit to the Croatian National Bank a suitability assessment together with the information and documentation evidencing that the criteria for their appointment referred to in Article 52, paragraph (2) have been met, which is contrary to the provision of Article 53, paragraph (1) of this Act;

31) if immediately after becoming aware of new facts or other circumstances that can affect the suitability of the head of internal control function or chief financial officer it fails to carry out a suitability reassessment or fails to notify the Croatian National Bank without delay of the results of that assessment, which is contrary to the provision of Article 52, paragraph (8) of this Act;

32) if, as a financial holding company or a mixed financial holding company that has not been granted approval in accordance with Article 87 of this Act, it fails to ensure that members of the management body are of good repute and possess adequate knowledge, skills and experience as specified in Article 44, paragraph (1) and Article 48, paragraph (1) of this Act to perform their functions, which is contrary to the provision of Article 54, paragraph (1) of this Act;

33) if, as a financial holding company or a mixed financial holding company that has not been granted approval in accordance with Article 87 of this Act, it fails to ensure the suitability of the members of its management body, which is contrary to the provision of Article 54, paragraph (2), item (1) of this Act;

34) if, as a financial holding company or a mixed financial holding company, that has not been granted approval in accordance with Article 87 of this Act, it fails to notify the Croatian National Bank of each change to the members of its management body within eight days of the implementation of the change, which is contrary to the provision of Article 54, paragraph (2), item (2) of this Act;

35) if, as a financial holding company or a mixed financial holding company, when submitting the application for approval in accordance with Article 87 of this Act or prior to reappointment of a member of a management body it appoints a member of the management body without obtaining prior approval from the Croatian National Bank, which is contrary to the provision of Article 54, paragraph (3) of this Act;

36) if, as a financial holding company or a mixed financial holding company, when assessing the suitability of members of the management body, it fails to apply *mutatis mutandis* Articles 41 to 51 of this Act and the subordinate legislation adopted pursuant to Article 44, paragraph (9) and Article 48, paragraph (18) of this Act, which is contrary to the provision of Article 53, paragraph (3) of this Act;

37) if, as a financial holding company or a mixed financial holding company that has been granted approval in accordance with Article 87 of this Act, when assessing the suitability of key function holders, it fails to apply *mutatis mutandis* the criteria laid down in Articles 53 and 53 of this Act, which is contrary to the provision of Article 54, paragraph (4) of this Act;

38) if it establishes a branch in another Member State prior to having obtained an authorisation to establish a branch in a Member State, which is contrary to the provision of Article 56, paragraph (1) of this Act;

39) if it begins to provide services through a branch situated in another Member State before it receives the notification from the competent authority of the host Member State of the conditions which, in the interest of the general good, must be met when providing services in that Member State, or without receipt of such notification, prior to the expiry of a period of two months of receipt by the competent authority of the host Member State of the notification and documentation referred to in Article 56, paragraph (1) of this Act, which is contrary to the provision of Article 58, paragraph (1) of this Act;

40) if it fails to notify the Croatia National Bank of its intention to establish a second branch in the same Member State in which it had already established a branch pursuant to the authorisation from the Croatian National Bank or any further branch, contrary to the provision of Article 58, paragraph (2) of this Act;

41) if it fails to notify the Croatian National Bank at least one month before effecting a change in any of the information referred to in Article 56, paragraph (1) of this Act or the competent authority of the host Member State of the change in relation to the operation of its branch situated in a Member State, which is contrary to the provision of Article 59, paragraph (1) of this Act;

42) if it begins to directly provide mutually recognised services, without notifying the Croatian National Bank in advance, which is contrary to the provision of Article 61, paragraph (1) of this Act;

43) if it fails to deliver information on services it intends to provide in the Member State and the business plan for the first three years of business in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, which is contrary to the provision of Article 61, paragraph (3) of this Act;

44) if it begins to directly provide mutually recognised services, prior to receipt of the notification from the Croatian National Bank, which is contrary to the provision of Article 61, paragraph (5) of this Act;

45) if it establishes a branch in a third country without prior authorisation by the Croatian National Bank, which is contrary to the provision of Article 62, paragraph (2) of this Act;

46) if it fails to notify the Croatian National Bank of its intention to establish a second branch in the same third country in which it had already established a branch pursuant to the authorisation from the Croatian National Bank or any further branch, contrary to the provision of Article 62, paragraph (7) of this Act;

47) if it fails to notify the Croatian National Bank of the change in some of the information referred to in Article 62, paragraph (3) at least one month before effecting the change, which is contrary to the provision of Article 62, paragraph (8) of this Act;

48) if it establishes a representative office in a third country without notifying the Croatian National Bank, which is contrary to the provision of Article 63 of this Act;

49) if it fails to act in accordance with the requirement of the Croatian National Bank referred to in Article 97, paragraph (2), (3) or (5) of this Act, which is contrary to the provision of Article 97, paragraph (6) of this Act;

50) if it acts contrary to subordinate legislation adopted pursuant to Article 97, paragraph (13) of this Act;

51) if it has received permission to apply an internal approach for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013 but it no longer meets the requirements for applying that approach, if it fails to comply with the requirement of the Croatian National Bank and fails to demonstrate that the effect of non-compliance is immaterial in accordance with Regulation (EU) No 575/2013 or if it fails to present a plan for the timely restoration of compliance with the requirements or set a deadline for its implementation, which is contrary to the provision of Article 101, paragraph (5) of this Act;

52) if it fails to carry out a supervisory measure within the time limit laid down in a decision, which is contrary to the provision of Article 102, paragraph (6) of this Act;

53) if the own funds it uses to maintain the additional own funds requirement imposed pursuant to Article 105, paragraph (1), item (1) of this Act and which do not include the own funds requirement imposed to cover the risk of excessive leverage are used to meet the requirements laid down in Article 93, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013, or to meet the combined buffer requirement, or the guidance on additional own funds referred to in Article 108, paragraph (3) of this Act, which is not determined to cover the risk of excessive leverage, which is contrary to the provision of Article 107, paragraph (13) of this Act;

54) if the own funds used to maintain the additional own funds requirement imposed pursuant to Article 105, paragraph (1), item (1) of this Act to cover the risk of excessive leverage not sufficiently covered by Article

92, paragraph (1), item (d) of Regulation (EU) No 575/2013 are used to meet the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, or the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013, or the guidance on additional own funds referred to in Article 108, paragraph (3) of this Act, which is determined to cover the risk of excessive leverage, which is contrary to the provision of Article 107, paragraph (14) of this Act;

55) if by using the strategies and processes referred to in Article 180 of this Act, it fails to assess and maintain its internal capital at an adequate level that is sufficient to cover all the risks that it is exposed to and ensure that its own funds can also cover potential losses resulting from stress scenarios, including the risks identified under the supervisory stress test referred to in Article 98, paragraph (7) of this Act, which is contrary to the provision of Article 108, paragraph (1) of this Act;

56) if it uses own funds used to meet the requirement from the guidance on additional own funds, other than the portion used to cover the risk of excessive leverage, to meet any requirements imposed pursuant to Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013, or the additional own funds requirement determined in accordance with Article 107 of this Act, imposed by the Croatian National Bank, not determined to cover the risk of excessive leverage and that is not the combined buffer requirement, which is contrary to the provision of Article 108, paragraph (7) of this Act;

57) if it uses own funds used to meet the guidance on additional own funds, including the risk of excessive leverage, to meet the own funds requirement set out in Article 92, paragraph (1), items (d) of Regulation (EU) No 575/2013 or the additional own funds requirement determined in accordance with Article 107 of this Act, imposed by the Croatian National Bank to cover the risk of excessive leverage or the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013, which is contrary to the provision of Article 108, paragraph (8) of this Act;

58) if it fails to publicly disclose the target representation of the under-represented sex and how it is to be achieved in Accordance with Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013, which is contrary to the provision of Article 112, paragraph (1) of this Act;

59) if it fails to publicly disclose and update regularly on its website the information on the manner in which it complies with the provisions on the composition, duties and responsibilities of the management and the supervisory board referred to in Title VI of this Act, or governance arrangements referred to in Title XV, Chapter III of this Act, or the organisational structure referred to in Title XV, Chapter IV of this Act, or remuneration policies referred to in Title XV, Chapter VI of this Act, which is contrary to the provision of Article 112, paragraph (5) of this Act;

60) if it fails to permit a representative of the Croatian National Bank to attend the general assembly or fails to enable him/her to address the general assembly, which is contrary to the provision of Article 113, paragraph (2) of this Act;

61) if it fails to invite the trustee to the meetings of the management board, supervisory board and meetings of their bodies or fails to deliver to the trustee in a timely manner all the information and documentation relevant to follow the meetings, or prevents the trustee from being present at the meetings or participating in their work, which is contrary to the provision of Article 115, paragraph (1) of this Act;

62) if it fails to make available to the trustee and his assistants all relevant information and documentation and does not provide them access to its business books, which is contrary to the provision of Article 115, paragraph (4) of this Act;

63) if it fails to have in place adequate risk management procedures and internal control mechanisms including sound reporting systems and accounting procedures in order to identify, measure, monitor and control intragroup transactions with its parent mixed-activity holding company and its subsidiaries or if it fails to notify the Croatian National Bank of any significant intragroup transactions with its parent mixed-activity holding company and its subsidiaries, other than those referred to in Article 394 of Regulation (EU) No 575/2013, which is contrary to the provision of Article 148, paragraph (2) of this Act;

64) if, on an individual basis, it fails to meet the requirements relating to Titles VI, VII and XV of this Act or relating to the preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank, which is contrary to the provision of Article 174, paragraph (1) of this Act;

65) if it classified capital instruments referred to in Articles 26, paragraph (3) and Articles 52 and 63 of Regulation (EU) No 575/2013 as common equity tier 1 capital, additional tier 1 capital or tier 2 capital without prior permission of the Croatian National Bank to classify capital instruments as common equity tier 1 capital, additional tier 1 capital or tier 2 capital, which is contrary to Article 26, paragraph (3) of Regulation (EU) No 575/2013, or the provisions of Article 179, paragraph (1) of this Act;

66) if it acts contrary to subordinate legislation adopted pursuant to Article 179, paragraph (4) of this Act;

67) if it fails to have in place and implement sound, effective and comprehensive strategy and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital, which is contrary to the provision of Article 180, paragraph (1) of this Act;

68) if, when assessing the internal capital, it considers adequate to cover ESG risk, it fails to consider short-, medium- and long-term ESG risks, which is contrary to the provision of Article 180, paragraph (3) of this Act;

69) if it fails to regularly review the strategy and processes for assessing and maintaining on an ongoing basis the amounts, types and distribution of internal capital, which is contrary to the provision of Article 180, paragraph (4) of this Act;

70) if it acts contrary to subordinate legislation adopted pursuant to Article 180, paragraph (5) of this Act;

71) if it fails to establish and implement effective and sound governance arrangements that are proportionate to the nature, scale and complexity of its activities and the risks inherent in its business model, which is contrary to the provision of Article 181, paragraph (1) of this Act;

72) if the governance arrangements it is obligated to establish and implement do not include a clear organisational structure with well-defined transparent and consistent lines of responsibility and accountability within the credit institution, or effective management of all risks to which the credit institution is or might be exposed in its operation, including short-, medium- and long-term ESG risks, as well as concentration risk arising from exposures towards central counterparties, taking into consideration the criteria referred to in Article 7a of Regulation (EU) No 648/2012, or adequate internal control mechanisms, including sound administrative and accounting procedures or gender neutral remuneration policies and practices that are consistent with and promote sound and effective risk management, taking into account the credit institution’s risk appetite in relation to ESG risk and their application or appropriate network and information systems that are set up and managed in accordance with Regulation (EU) 2022/2554, which is contrary to Article 181 of this Act;

73) if it fails to establish a risk management system which covers credit risk, concentration risk, securitisation risks, residual risk, market risk, operational risk, liquidity risk, interest rate risk in the non-trading book activities, risk of excessive leverage, ESG risk, the risk arising from exposure to crypto-assets, ICT risk and other risks to which the credit institution is or might be exposed in its operation, which is contrary to the provision of Article 182, paragraph (2) of this Act;

74) if it fails to ensure that adequate resources are allocated to the management of all material risks, including an adequate number of employees possessing the necessary knowledge and experience to be involved in risk management, and for the valuation of assets, the use of external credit ratings and internal models related to those risks, which is contrary to the provision of Article 182, paragraph (3) of this Act;

75) if it fails to establish adequate reporting lines to the management and supervisory board that cover all material risks and risk management policies and changes thereof, which is contrary to the provision of Article 182, paragraph (4) of this Act;

76) if, in order to consistently apply risk management strategies and policies, it fails to establish and apply consistently sound administrative, accounting and other procedures and adequate internal control mechanism, at a minimum for calculating and monitoring capital requirements in relation to these risks and for identifying and monitoring large exposures and their subsequent changes, and for monitoring compliance of those large exposures with credit institution's own large exposure policies, which is contrary to the provision of Article 182, paragraph (5) of this Act;

77) it fails to consistently implement internal systems, use the standardised methodology or the simplified standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities, which is contrary to the provision of Article 182, paragraph (6) of this Act;

78) if it fails to implement internal systems to assess and monitor the risks arising from potential changes in credit spreads that affect both the economic value of equity and the net interest income of an institution's non-trading book activities, which is contrary to the provision of Article 182, paragraph (8) of this Act;

79) if it acts contrary to subordinate legislation adopted pursuant to Article 182, paragraph (9) of this Act;

80) if it fails to notify the Croatian National Bank of the planned change in the internal model for which it was granted permission, which is contrary to the provision of Article 184, paragraph (1) of this Act, or if it fails to attach to the notification evidence that the effect of non-compliance is immaterial or a plan for ensuring compliance with the requirements for obtaining permission, which is contrary to the provision of Article 184, paragraph (3) of this Act;

81) if as a small and non-complex credit institution it relies solely on external credit ratings for assessing the creditworthiness of a client or financial instrument, which is contrary to the provision of Article 185, paragraph (3) of this Act;

82) if, as a credit institution permitted to use internal approaches, it fails to submit to the Croatian National Bank and to the European Banking Authority the report on the results of calculations for its exposures or positions that are included in the benchmark portfolios, which is contrary to the provision of Article 186, paragraph (1) of this Act, or if it fails to submit in its reports the results of its calculations, together with an explanation of the methodologies used to produce them and all qualitative information explaining the impact of these calculations on own funds requirements, which is contrary to the provision of Article 186, paragraph (4) of this Act;

83) if, as a credit institution that uses the alternative standardised approach referred to in Part Three of Title IV, Chapter 1a of Regulation (EU) No 575/2013 provided that the size of its on-and off-balance-sheet business that is subject to market risk is equal or less than EUR 500 million in accordance with Article 325a, paragraph (1), item (b) of the Regulation, it fails to submit to the Croatian National Bank and to the European Banking Authority the report on the results of calculations for its exposures or positions that are included in the benchmark portfolios, which is contrary to the provision of Article 186, paragraph (2) of this Act, or if it fails to submit in its reports the results of its calculations, together with an explanation of the methodologies used to produce them and all qualitative information explaining the impact of these calculations on own funds requirements, which is contrary to the provision of Article 186, paragraph (4) of this Act;

84) if, as a credit institution, which is in accordance with Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013 permitted to use an internal approach, or if, as a relevant credit institution that applies the standardised approach in accordance with Part Three, Title II, Chapter 2 of Regulation (EU) No 575/2013, it fails to submit to the Croatian National Bank and to the European Banking Authority the report on the results of calculations of approaches applied for the purpose of determining the amounts of expected credit losses of its exposures or positions that are included in the benchmark portfolios, if any of the conditions referred to in Article 186, paragraph (3) of this Act is met, which is contrary to the provision of Article 186, paragraph (3) of this Act, or if fails to submit in its reports the results of its calculations, together with an explanation of the methodologies used to produce them and all qualitative information explaining the impact of these calculations on own funds requirements, which is contrary to the provision of Article 186, paragraph (4) of this Act;

85) if it fails to establish or monitor governance arrangements which ensure effective and prudent management of the credit institution, with well-defined transparent and consistent lines of responsibility and accountability within the credit institution established so as to avoid conflicts of interest, which is contrary to the provision of Article 187, paragraph (1) of this Act;

86) if the governance arrangements are not set up so as to enable effective communication and cooperation at all organisational levels or to enable an appropriate information flow within the credit institution, or to limit and prevent conflicts of interest or to provide for a transparent and documented decision-making process, which is contrary to the provision of Article 187, paragraph (2) of this Act;

87) if it fails to identify in a timely manner the areas of operation which may give rise to the potential conflicts of interest or fails to ensure that any form of conflict of interest is adequately prevented, which is contrary to the provision of Article 187, paragraph (7) of this Act;

88) if it acts contrary to subordinate legislation adopted pursuant to Article 187, paragraph (8) of this Act;

89) if it fails to ensure that members of the supervisory board have adequate access to information required to exercise their powers, especially on the risk profile of the credit institution and, if necessary and appropriate, to the risk management function and to external expert advice, which is contrary to the provision of Article 189, paragraph (3) of this Act;

90) if it fails to ensure that members of the nominations committee have adequate access to information required to exercise their powers, access to internal control functions and, where necessary human resources management function, legal affairs function, strategic planning function and to external expert advice, which is contrary to the provision of Article 193, paragraph (3) of this Act;

91) if it fails to establish and implement effective internal control mechanisms in all areas of operation including an appropriate organisational structure, organisational culture, establishment of the credit institution's internal control functions, adequate control activities and the allocation of responsibilities, appropriate internal controls integrated into the business processes and activities of the credit institution and appropriate administrative and accounting procedures, which is contrary to the provision of Article 196, paragraph (2) of this Act;

92) if, proportionally to its size and the nature, scale and complexity of its activities in accordance with its risk profile, it fails to establish permanent and effective internal control functions with adequate powers, independent from the business processes and activities in which a risk occurs or which are monitored and overseen by internal control functions, which is contrary to the provision of Article 197, paragraph (1) of this Act;

93) if it fails to establish a risk management function, a compliance function and an internal audit function, which is contrary to the provision of Article 197, paragraph (2) of this Act;

94) if it fails to ensure that internal control functions check within the framework of their areas of competence, whether policies, processes and procedures which the credit institution established in order to set up and implement an efficient internal control mechanism are implemented correctly, or if its internal control functions fail to ensure that all material risks to which the credit institution is exposed or might be exposed are adequately identified, measured or reported, or if each internal control function does not have a complete overview of the scope of risks to which the credit institution is exposed, which is contrary to the provision of Article 197, paragraph (3) of this Act;

95) if, aiming to establish and implement an adequate and efficient risk management system, it fails to ensure active participation of the risk management function in the design of the credit institution's risk strategy and adoption of all decisions on the management of material risks and its control of the implementation or the risk strategy, or if it fails to ensure an independent audit of the implementation of the institution's risk strategy by the internal audit function, or if it fails to ensure risk assessment and mitigation by the compliance function, and fails to ensure that the credit institution’s risk strategy takes into consideration compliance risk, and that compliance risk is adequately taken into consideration in all decisions relating to management of material risks, which is contrary to the provision of Article 197, paragraph (5) of this Act;

96) if it fails to ensure that internal control functions are in place and carry out tasks in accordance with this Act and subordinate legislation adopted pursuant to this Act, which is contrary to the provision of Article 197, paragraph (6) of this Act;

97) if it fails to ensure its internal control functions direct access and direct reporting to the supervisory board, which is contrary to the provision of Article 197, paragraph (7) of this Act;

98) if it acts contrary to subordinate legislation adopted pursuant to Article 197, paragraph (8) of this Act;

99) if it fails to ensure that no individual internal control function is organised within another internal control function, which is contrary to the provision of Article 198, paragraph (1) of this Act;

100) if it fails to organise an internal audit function as a separate organisational unit, functionally and organisationally independent both from the activities it audits and from other organisational units of the credit institution, which is contrary to the provision of Article 198, paragraph (3) of this Act;

101) if it fails to establish internal control functions in a manner to avoid conflicts of interest, which is contrary to the provision of Article 198, paragraph (4) of this Act;

102) if it fully outsources its control functions, which is contrary to the provision of Article 198, paragraph (5) of this Act;

103) if, proportionally to its size, the nature, scale and complexity of activities for the carrying out of each control function, it fails to ensure a sufficient number of persons with adequate powers, status, knowledge and experience, which is contrary to the provision of Article 199, paragraph (1) of this Act;

104) if it fails to appoint a head of each control function as an independent member of senior management with special competence for the risk management function, compliance monitoring or internal audit, or in the case referred to in Article 198, paragraph (2) of this Act for that combined function, which is contrary to the provision of Article 199, paragraph (2) of this Act;

105) if it fails to ensure the independence of internal control functions from members of the management board or senior management or fails to ensure them the opportunity to direct questions at or warn the supervisory board, or in the case of specific developments in the area of risks affecting or that might affect the credit institution, without prejudice to the responsibilities of the management and supervisory board pursuant to this Act and Regulation (EU) No 575/2013, which is contrary to the provisions of Article 199, paragraph (4) of this Act;

106) it fails to ensure that employees carrying out internal control function activities are independent from the business units they monitor, which is contrary to the provision of Article 199, paragraph (5) of this Act;

107) if its management board appoints or removes from office the head of individual internal control function without the approval of the credit institution's supervisory board, which is contrary to the provision of Article 199, paragraph (6) of this Act;

108) if it fails, without delay or within three working days at the latest, to notify the Croatian National Bank on the appointment of the head of each internal control function, and fails to notify the Croatian National Bank of the reasons for replacement of that person, which is contrary to the provision of Article 199, paragraph (7) of this Act;

109) if it fails to ensure that heads of individual internal control functions participate in the meetings of bodies units of the credit institution to which they directly report, when the reports of these persons are discussed, which is contrary to the provision of Article 199, paragraph (8) of this Act;

110) if it fails to ensure that the head of an individual control function who in the carrying out of his activities identifies illegalities in the operation or violations of risk management rules or risk developments that jeopardise the liquidity, solvency or safety of the credit institution's operation, notifies the management board, the supervisory board and the Croatian National Bank, which is contrary to the provision of Article 199, paragraph (9) of this Act;

111) if it fails to provide regular professional education and training for persons carrying out internal control function activities, which is contrary to the provision of Article 199, paragraph (10) of this Act;

112) if it fails to establish or it fails to apply remuneration policy that is proportionate to its size, internal organisation and the nature, scale and complexity of its activities, which is contrary to the provision of Article 200, paragraph (1) of this Act;

113) if it contracts the payment or pays variable remuneration contrary to the provision of this Act or the provisions of the subordinate legislation adopted pursuant to the provisions of Article 200, paragraph (4) of this Act, which is contrary to the provision of Article 200, paragraph (3) of this Act;

114) if it acts contrary to subordinate legislation adopted pursuant to Article 200, paragraph (4) of this Act;

115) if it fails to set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component, which is contrary to the provision of Article 201, paragraph (1) of this Act;

116) if, within five working days after the date the general assembly was held, it fails to notify the Croatian National Bank of the decision adopted at the general assembly on the approved higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio, or on the approved different higher ratios between variable and fixed components, if different higher ratios are applied to different business units, internal control and other functions and different categories of identified staff, including the specification of different higher ratios, which is contrary to the provision of Article 201, paragraph (3) of this Act;

117) if, within five working days after the date the general assembly was held, it fails to submit to the Croatian National Bank the information on the total number of staff (at the end of the last business year), the number of identified staff (outcome of the last identification process), the balance sheet total (at the end of the last financial year), the decision taken by the general assembly of the credit institution, the ratio decided or where different ratios within the credit institution were approved, the business areas and approved percentages and the maximum approved ratio, which is contrary to the provision of Article 201, paragraph (4) of this Act;

118) if it fails to notify the Croatian National Bank or fails to notify it within five working days after the date the general assembly was held that the general assembly of the credit institution adopted the decision to reduce the previously determined higher maximum ratio between the variable and fixed components of total remuneration, which is contrary to the provision of Article 201, paragraph (5) of this Act;

119) if it uses instruments to award variable remuneration, in the form of ordinary shares of a credit institution which is its direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is its direct or indirect parent, and the condition is not met that the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself, which is contrary to the provision of Article 202 of this Act;

120) if it concludes a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions, which is contrary to the provision of Article 206, paragraph (1) of this Act;

121) if it concludes a legal arrangement as a result of which the total exposure to a person in a special relationship exceeds EUR 50,000.00 without the unanimous decision of all management board members or prior approval of the supervisory board, which is contrary to the provision of Article 206, paragraph (2) of this Act;

122) if, for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) No 575/2013, contrary to Article 402, paragraphs (1) and (2) of Regulation (EU) No 575/2013, it reduces the value of an exposure or any part of an exposure that is, in accordance with Article 125, paragraph (1) of Regulation (EU) No 575/2013 secured by residential property, or is, in accordance with Article 126, paragraph (1) of Regulation (EU) No 575/2013, secured by commercial immovable property, by the pledged amount of the market value or the mortgage lending value of the property concerned, which is contrary to the provision of Article 209 of this Act;

123) if it concludes a legal arrangement that might result in the credit institution's large exposure to a single person or group of connected clients without prior approval of the credit institution's supervisory board, which is contrary to the provision of Article 210, paragraph (1) of this Act;

124) if it concludes a legal arrangement as a result of which the credit institution's large exposure to a single person or group of connected clients would increase so as to reach or exceed 15%, 20%, and each additional 5% of the credit institution's tier 1 capital, without prior approval of the credit institution's supervisory board, which is contrary to the provision of Article 210, paragraph (2) of this Act;

125) if credit institution's total holdings of tangible assets exceed 40% of the credit institution's eligible capital, which is contrary to the provision of Article 211, paragraph (1) of this Act;

126) if it fails to notify the Croatian National Bank without delay of all facts to be entered in the register of companies and each submitted application for entry of data in the register of companies, as well as all completed entries of data changes in the register of companies, or of its general assembly and of the date on which it is to be held, and the proposed items and decisions on the agenda, or of the convening of its general assembly and all decisions adopted at the assembly, or of all planned changes in the credit institution's initial capital of 10% or more, or if the credit institution's own funds fall below the level laid down in Article 92 of Regulation (EU) No 575/2013, or below the level imposed by the Croatian National Bank pursuant to Articles 105, 107, 140 and 142 of this Act, or of becoming aware of the fact that natural or legal persons acquired a qualifying holding or that a holder of a qualifying holding acquired a qualifying holding or that a holder of a qualifying holding sold or otherwise disposed of their shares that caused their holdings to exceed or fall below the threshold for which they obtained prior approval, which is contrary to the provision of Article 212, paragraph (1) of this Act;

127) if it fails to notify the Croatian National Bank of the credit institution's shareholders and persons connected with them holding 3% or more of shares with voting rights at the credit institution's general assembly, or close links between the credit institution and other natural and legal persons, which is contrary to the provision of Article 212, paragraph (2) of this Act;

128) if it fails to notify the Croatian National Bank of the content laid down in subordinate legislation adopted pursuant to the provisions of Article 212, paragraph (3) of this Act;

129) if fails to deliver to the Croatian National Bank, at its request, reports, information and documentation on all matters relevant for the exercise of supervision or oversight and other tasks within the competence of the Croatian National Bank, which is contrary to the provision of Article 214 of this Act;

130) if it fails to deliver to the Croatian National Bank within 15 days of receipt and at the latest within three months following the end of the business year to which the annual financial statements relate, for each Member State and third country in which it provides services, information on the name of the Member State and third country in which it provides services, banking and financial services it provides, the nature of its activities and their geographical location, or amount of total income, or on the number of employees on a full time equivalent basis, or on profit or loss before tax, or on the tax on profit, or public subsidies received, which is contrary to the provision of Article 215, paragraph (1) of this Act;

131) if the information referred to in Article 215, paragraph (1) of this Act is not audited or published as attachment to annual financial statements and, if prepared by the credit institution, to consolidated annual financial statements, which is contrary to the provision of Article 215, paragraph (2) of this Act;

132) if, when disclosing the information referred to in Article 215, paragraph (1) of this Act, it fails to specify it by Member States and by third country in which the credit institution provides its services, which is contrary to the provision of Article 215, paragraph (3) of this Act;

133) if it fails to keep business books, other business documentation and records, evaluate assets and liabilities and publish annual financial statements in accordance with applicable regulations and professional standards, which is contrary to the provision of Article 216, paragraph (1) of this Act;

134) if it does not keep business books and other business documentation and records in such a manner that it is possible to verify at all times whether the credit institution operates in accordance with applicable regulations and professional standards, which is contrary to the provision of Article 216, paragraph (2) of this Act;

135) if, in the case when an audit firm issues a qualified opinion, an adverse opinion or a disclaimer of an opinion, it fails to notify the Croatian National Bank thereof without delay, if it fails to rectify the circumstances that led to such an opinion or fails to prepare annual financial statements or annual consolidated financial statements, or fails to ensure the statutory audit of these statements within three months of receipt of the audit report, which is contrary to the provision of Article 216, paragraph (3) of this Act;

136) if it fails to publish the new audit report, including the relevant financial statements, or fails to deliver it in the manner laid down for publication and delivery of the audit opinion within 15 days of the date of receipt of the new audit opinion, which is contrary to the provision of Article 216, paragraph (4) of this Act;

137) if it fails to deliver to the Croatian National Bank financial statements and other reports in the form and content provided for in the subordinate legislation adopted pursuant to the provisions of Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 217, paragraph (1) of this Act.

138) if it fails to deliver to the Croatian National Bank within 15 days of receipt and at the latest within three months following the end of the business year to which the annual financial statements relate, in a machine-readable and open format the annual and consolidated annual report, in accordance with the regulations governing entrepreneur accounting or audit reports for the purposes of the Croatian National Bank referred to in Article 224 of this Act, which is contrary to the provision of Article 218, paragraph (1) of this Act;

139) if it fails to publish its annual report in a machine-readable and open format on its website or fails to make it available at the latest within four months following the end of the business year to which the report relates, which is contrary to the provision of Article 218, paragraph (3) of this Act;

140) if it fails to disclose in its annual report among the key indicators its return on assets, calculated as its net profit divided by its total balance sheet, which is contrary to the provision of Article 218, paragraph (4) of this Act;

141) if for the provision of statutory audit or audit for the purposes of the Croatian National Bank it enters a contract with an audit firm that does not meet the conditions referred to in Article 220 of this Act, which is contrary to the provision of Article 219, paragraph (2) of this Act;

142) if it fails to ensure that the same audit firm carries out its statutory audit for no more than ten consecutive years, which is contrary to the provision of Article 220, paragraph (1) of this Act;

143) if after the expiry of ten consecutive years during which an audit firm carried out its statutory audit it appoints the same audit firm to perform the same tasks within the next four years, which is contrary to the provision of Article 2020, paragraph (2) of this Act;

144) if in the event of the termination of a contract on the statutory audit, it fails, within the appropriate time limit, to deliver to the Croatian National Bank a written explanation of the reasons for the termination of the contract, or, where the contract was terminated by one contractual party, explain the reasons for termination, or if, as the other contractual party, if fails to comment on the reasons for termination of the contract stipulated by the first party, which is contrary to the provision of Article 221, paragraph (1) of the Act;

145) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet any requirements imposed under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 or to meet the additional own funds requirement imposed by the Croatian National Bank pursuant to Article 105 of this Act used to cover risks other than the risk of excessive leverage or to meet the guidance communicated by the Croatian National Bank to the credit institution in accordance with Article 108 of this Act used to cover risks other than the risk of excessive leverage, which is contrary to the provision of Article 225, paragraph (1) of this Act;

146) if common equity tier 1 capital that is maintained to meet one of the elements of its combined buffer requirement to meet the other applicable elements of its combined buffer requirement, which is contrary to the provision of Article 225, paragraph (2) of this Act;

147) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013, or to meet the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013, or to meet the minimum requirement for own funds and eligible liabilities imposed pursuant to the law governing the resolution of credit institutions and investment firms, or to meet the minimum requirement for own funds and eligible liabilities for resolution entities that are part of G-SIIs and material subsidiaries of non-EU G-SIIs, which is contrary to the provision of Article 225, paragraph (3) of this Act;

148) if it fails to apply measures and instruments provided for in the subordinate legislation adopted pursuant to the provisions of Article 249, paragraph (1) of this Act, which is contrary to the provision of Article 249, paragraph (2) of this Act;

149) if it meets the combined buffer and makes a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the combined buffer requirement is no longer met, which is contrary to the provision of Article 250, paragraph (1) of this Act;

150) if it fails to meet the combined buffer requirement, and fails to notify the Croatian National Bank without delay of the maximum distributable amount in accordance with subordinate legislation adopted pursuant to Article 250, paragraph (10) of this Act, which is contrary to the provision of Article 250, paragraph (2) of this Act;

151) if it fails to meet the combined buffer requirement, and fails to calculate, or, if it incorrectly calculates, the maximum distributable amount in accordance with subordinate legislation adopted pursuant to Article 250, paragraph (10) of this Act, which is contrary to the provision of Article 250, paragraph (2) of this Act;

152) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the maximum distributable amount, which is contrary to the provision of Article 250, paragraph (3) of this Act;

153) if through any action referred to in Article 250, paragraph (3) of this Act it distributes more than the maximum distributable amount calculated in accordance with Article 250, paragraph (2) of this Act, which is contrary to the provision of Article 250, paragraph (5) of this Act;

154) if it meets the leverage ratio buffer requirement under Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and makes a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the combined buffer requirement is no longer met, which is contrary to the provision of Article 250, paragraph (6) of this Act;

155) it fails to meet the leverage ratio buffer requirement and fails to calculate the leverage ratio related maximum distributable amount in accordance with subordinate legislation referred to in Article 250, paragraph (10) of this Act, which is contrary to the provision of Article 250, paragraph (7) of this Act;

156) it fails to meet the leverage ratio buffer requirement and fails to notify the Croatian National Bank without delay of the calculated distributable amount, which is contrary to Article 250, paragraph (7) of this Act;

157) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the leverage ratio related maximum distributable amount, which is contrary to the provision of Article 250, paragraph (8) of this Act;

158) if through any action referred to in Article 250, paragraph (8) of this Act distributes more than the leverage ratio related maximum distributable amount, which is contrary to the provision of Article 250, paragraph (9) of this Act;

159) if it acts contrary to subordinate legislation adopted pursuant to the provisions of Article 250, paragraph (10) of this Act;

160) if it fails to meet the combined buffer or the leverage ratio buffer requirement and fails to prepare a capital conservation plan and submit it to the Croatian National Bank no later than five working days after it identified that it was failing to meet that requirement, which is contrary to the provision of Article 255, paragraph (1) of this Act;

161) if it intends to take other measures to increase its capital ratios, or if it intends change the timeframe for the increase in own funds from the approved capital conservation plan, and fails to notify the Croatian National Bank thereof and to submit an amended capital conservation plan, which is contrary to the provision of Article 255, paragraph (7) of this Act;

162) if it fails to notify the Croatian National Bank of capital buffers referred to in Title XVIII, Chapters II to VI of this Act in the manner and within the time limits prescribed in subordinate legislation adopted pursuant to the provisions of Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 257 of this Act;

163) if it fails to notify the Croatian National Bank of capital conservation measures referred to in Articles 250 to 256 of this Act in the manner and within the time limits prescribed in subordinate legislation adopted pursuant to the provisions of Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 257 of this Act;

164) if it fails to prepare or implement a recovery plan that sets out measures to be taken to restore its financial position following a significant deterioration, which is contrary to the provision of Article 258, paragraph (1) of this Act;

165) if it fails to update its recovery plan at least annually or after a change in the legal or organisational structure of the credit institution or of the member of a group of credit institutions for which the recovery plan is drawn up, or fails to update it after a change in its business or its financial situation, which could have a material effect on, or necessitate a change to, the recovery plan, or fails to deliver the recovery plan or the updated recovery plan to the Croatian National Bank, which is contrary to the provision of Article 258, paragraph (3) of this Act;

166) if it fails to implement the recovery plan, which is contrary to the provision of Article 258, paragraph (6) of this Act;

167) if it acts contrary to subordinate legislation adopted pursuant to Article 258, paragraph (15) of this Act;

168) if it fails to prepare or regularly update a list of all financial contracts to which the credit institution is a party, which is contrary to the provision of Article 258, paragraph (8) of this Act;

169) if it fails to lay down, document and regularly review the process of drawing up recovery plans, which is contrary to the provision of Article 258, paragraph (9) of this Act;

170) if it fails to ensure that its recovery plan meets the criteria referred to in Article 259, paragraph (1) of this Act, which is contrary to the provision of Article 259, paragraph (1) of this Act;

171) if it fails to conclude a financial support agreement without prior authorisation from the consolidating supervisor or fails to notify the Croatian National Bank of its intention to conclude a financial support agreement in the EU, which is contrary to the provision of Article 263, paragraph (4) of this Act;

172) if it fails to conclude a financial support agreement without prior authorisation from the Croatian National Bank, which is contrary to the provision of Article 263, paragraph (13) of this Act;

173) if it fails to deliver without delay the decision of the general assembly to authorise the management board to the Croatian National Bank and to all signatories to the financial support agreement, which is contrary to the provision of Article 264, paragraph (5) of this Act;

174) if it fails to notify the Croatian National Bank without delay of the conclusion of a financial support agreement or fails to deliver a copy of the agreement, which is contrary to the provision of Article 265, paragraph (1) of this Act;

175) if the decision to provide financial support is not reasoned or it does not indicate the objective of the proposed support or a description of the manner in which the conditions referred to in Article 266, paragraph (1) of this Act have been met, which is contrary to the provision of Article 267, paragraph (2) of this Act;

176) if it provides financial support without prior authorisation from the Croatian National Bank, which is contrary to the provision of Article 268, paragraph (1) of this Act;

177) if it provides financial support without previously notifying the consolidating supervisor or the competent authority of the beneficiary of the support or the European Banking Authority thereof, which is contrary to the provision of Article 268, paragraph (3) of this Act;

178) if it fails to publish, or at least annually update, the information on whether it concluded a financial support agreement or on general terms of any such support agreement or the names of other signatories to the agreement, which is contrary to the provision of Article 269, paragraph (3) of this Act;

179) if it fails to make the public disclosure referred to in Article 269, paragraph (3) of this Act in accordance with Articles 431 to 434 of Regulation (EU) No 575/2013, which is contrary to the provision of Article 269, paragraph (5) of this Act;

180) if it fails to notify the Croatian National Bank of the change in the activity of a legal person in which it has a majority holding in the capital or a majority of the voting rights prior to the entry of such activity in the register of companies, which is contrary to the provision of Article 295, paragraph (3) of this Act;

181) if it reaches a decision on the dissolution of the undertaking without preparing and delivering to the Croatian National Bank a winding-up plan, at the latest three months prior to the planned invitation to convene a general assembly, or fails to deliver the approval of the supervisory board for that plan, which is contrary to the provision of Article 297, paragraph (1) of this Act;

182) if, as at the date of the decision on the dissolution of the undertaking, fails to notify the Croatian National Bank of the decision reached, which is contrary to the provision of Article 297, paragraph (8) of this Act;

183) if it makes material changes to an approved winding-up plan without prior authorisation from the Croatian National Bank, which is contrary to the provision of Article 297, paragraph (12) of this Act;

184) if it creates annual financial statements for each business year in the course of voluntary winding-up proceedings, or if it fails to have the statutory audit caried out of the annual financial statements of the credit institution in winding-up proceedings, for which purpose, a business year shall correspond to a calendar year, which is contrary to the provision of Article 297, paragraph (14) of this Act;

185) if it acts contrary to subordinate legislation adopted pursuant to the provisions of Article 297, paragraph (15) of this Act;

186) if it fails, to announce on its website without delay, or to publish in at least two daily newspapers in the Republic of Croatia, a decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013, which is contrary to the provisions of Article 324, paragraph (1) of this Act;

187) if the decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 does not contain the decision to reduce common equity tier 1 capital items, or the amount of common equity tier 1 capital of the credit institution prior to the decision on the reduction, or the amount by which the credit institution's common equity tier 1 capital is reduced, or the amount of common equity tier 1 capital of the credit institution after the decision on the

reduction, or the percentage by which the credit institution’s common equity tier 1 capital is reduced, or a statement by the credit institution's management board that after the reduction of common equity tier 1 capital that the credit institution will meet all its liabilities towards depositors and all requirements arising from regulations governing the operation of credit institutions, or instructions to depositors concerning the way in which they can exercise their rights referred to in Article 324, paragraph (2) of this Act, which is contrary to the provision of Article 324, paragraph (1) of this Act;

188) if a credit institution that adopted a decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 fails to pay out the deposit and interest to the depositor at the request of the depositor, or fails to pay out the deposit without fees or charges, or fails to pay out the deposit within 30 days of the submission of the depositor’s request, although the criteria referred to in Article 324, paragraph (2) of this Act have been met, which is contrary to the provision of Article 324, paragraph (2) of this Act;

189) if it decides on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 and if it carries out the reduction of common equity tier 1 capital items, without having met the criteria referred to in Article 324, paragraph (3) of this Act, which is contrary to the provision of Article 324, paragraph (3) of this Act;

190) if it decides to carry out the payout based on the reduction of common equity tier 1 capital items following the expiry of a period of two years of the adoption of the decision to reduce common equity tier 1 capital items and fails to publish without delay on its website the decision to reduce common equity tier 1 capital items or the decision on the time limit for payment, which is contrary to the provision of Article 325, paragraph (2) of this Act;

191) if it does not treat the amount by which it decided to reduce its common equity tier 1 capital items referred to in Article 324, paragraph (1) of this Act as items that are not available to the credit institution for unrestricted and immediate use to cover risks or losses and from the moment of that decision reports the amount as part of common equity tier 1 capital of the credit institution, which is contrary to the provision of Article 326 of this Act;

192) if it fails to exchange, at request, information on, including personal data of its clients, for the purpose of accessing creditworthiness or managing credit risk with other authorised credit institutions with a head office in the Republic of Croatia and credit institutions authorised pursuant to this Act to provide mutually recognised services within the territory of the Republic of Croatia, which is contrary to the provision of Article 338, paragraph (2) of this Act;

193) if it fails to exchange all categories of information on and personal data of clients referred to in Article 338, paragraph (3) of this Act, which is contrary to the provision of Article 338, paragraph (3) of this Act;

194) if it refuses to exchange information on and personal data of clients due to the different way of data exchange used by the other credit institution, which is contrary to the provision of Article 338, paragraph (5) of this Act;

195) if it acts contrary to subordinate legislation adopted by the Croatian National Bank pursuant to its powers under Regulation (EU) No 575/2013;

196) if it already classified the subsequent issuance of a form of common equity tier 2 instruments for which it has already got the approval of the Croatian National Bank to classify capital instruments and common equity tier 1 capital, although it had not met the criteria referred to in item (a) and/or item (b) of the second passage of Article 26, paragraph (3) of Regulation (EU) No 575/2013, which is contrary to the second passage of Article 26, paragraph (3) of Regulation (EU) No 575/2013;

197) if it acts contrary to legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013;

198) if it acts contrary to the Commission Delegated or Commission Implementing Regulation adopted pursuant to Regulation (EU) No 575/2013 or Directive 2013/36 /EU;

199) if it fails to comply with a decision of the Croatian National Bank.

(2) For the breaches referred to in paragraph (1) of this Article, a credit institution, a financial holding company or a mixed financial holding company shall be fined in the amount of up to 10% of the total annual net turnover of the legal person, and if it has been determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(3) A responsible person of a credit institution, a financial holding company or mixed financial holding company shall be fined up to EUR 150,000.00 million for the breaches referred to in paragraph (1) of this Article.

(4) A branch of a credit institution from another Member State or a third-country branch shall be fined in the amount of up to 10% of total income for the breaches referred to in paragraph (1) of this Article:

(5) A responsible person of the branch shall be fined up to EUR 15,000.00 for the breaches referred to in paragraph (1) of this Article.

(6) Periodic penalty payments can be imposed for the breaches referred to in paragraph (1) of this Article:

1) in case of a credit institution, a financial holding company or a mixed financial holding company, up to 5% of the average daily net turnover, or in case of a branch of a credit institution from another Member State or of a third-country branch up to 5% of the average daily turnover for each day of the ongoing breach;

2) in case of a responsible person of a credit institution, a financial holding company or a mixed financial holding company, up to EUR 50,000.00, or in case of responsible person of a branch, up to EUR 10,000.00, for each day of the breach for an ongoing breach.

(7) The following administrative measures can be imposed for the breaches referred to in paragraph (1) of this Article:

1) a public statement which identifies the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking, branch of a credit institution from another Member State, a third-country branch or a responsible person and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking, branch of a credit institution from another Member State, a third-country branch or a responsible person to cease the conduct and desist from repeating the breach;

3) a temporary suspension of voting rights of a holder of a qualifying holding or shareholder acting in concert, who committed the breach;

4) a temporary ban against the person who is held responsible to perform the function of a member of the management board, supervisory board, senior management, key function holder and other tasks of a staff member whose professional activities impact the risk profile of the credit institution, who committed the breach;

Breaches by members and the parent of a group of credit institutions

Article 376

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a parent credit institution, the designated credit institution, a parent financial holding company or a parent mixed financial holding company, a subsidiary member of a group of credit institutions or a responsible person of that legal person if any of the following breaches is established:

1) if, as a RC parent financial holding company, an RC mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC, which has a large credit institution within the group, it fails, within three working days of the appointment of a head of internal control function or chief financial officer, to submit to the Croatian National Bank a suitability assessment together with the information and documentation evidencing that the criteria for their appointment referred to in Article 52, paragraph (2) have been met, which is contrary to the provision of Article 53, paragraph (1) of this Act;

2) if, as a parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution intends to provide mutually recognised financial services within the territory of another Member State through a branch, which is contrary to the provision of Article 57, paragraph (1) of this Act;

3) if, as a RC parent credit institution, it fails to notify the Croatian National Bank at least one month before effecting a change in any of the information referred to in Article 57, paragraph (2) of this Act or the competent authority of the host Member State of the change in relation to the operation of its branch in the Member State, which is contrary to the provision of Article 59, paragraph (1) of this Act;

4) if, as an RC parent credit institution, which is a parent undertaking of a financial institution meeting the requirements referred to in Article 65, paragraph (1) of this Act, it begins to directly provide mutually recognised services within the territory of another Member State without notifying the Croatian National Bank thereof in advance, or if it fails to state the Member State in which that financial institution intends to provide services directly, which is contrary to the provision of Article 61, paragraph (2) of this Act;

5) if, as an RC parent credit institution, which is a parent undertaking of a financial institution meeting the requirements referred to in Article 65, paragraph (1) of this Act, it fails to deliver information on services it intends to provide in the Member State and the business plan for the first three years of business in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the

Commission Implementing Regulation (EU) No 926/2014, which is contrary to the provision of Article 61, paragraph (3) of this Act;

6) if it fails to carry out a supervisory measure within the time limits set by the Croatian National Bank, which is contrary to the provision of Article 102, paragraph (6) of this Act;

7) if, as an RC parent credit institution, an EU parent credit institution having its head office in the RC, a parent financial holding company or a parent mixed financial holding company that has been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act, it fails to publish a description of legal relationships within its group of credit institutions in the RC or a description of governance arrangements and organisational structure of its group of credit institutions in the RC, which is contrary to the provision of Article 112, paragraph (2) of this Act;

8) if, as an RC parent credit institution, an EU parent credit institution having its head office in the RC, a parent financial holding company or a parent mixed financial holding company that has been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act, it fails to regularly update the information referred to in Article 112, paragraphs (2) and (3) of this Act, which is contrary to the provision of Article 112, paragraph (4) of this Act;

9) if, as a subsidiary member of a group of credit institutions in the RC, it fails to deliver to an RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the approval referred to in Article 87 of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC, an EU parent financial holding company and an EU parent mixed financial holding company having its head office in the RC or a designated entity referred to in Articles 88 and 89 of this Act the data relevant for the purposes of consolidation, or fails to ensure adequate internal control procedures to verify the correctness of such data and information, or fails to deliver the data relevant to determine the scope of consolidation, which is contrary to the provision of Article 138, paragraph (1) of this Act;

10) if, as an RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the approval referred to in Article 87 of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC, an EU parent financial holding company, an EU parent mixed financial holding company and an EU parent mixed financial holding company having its head office in the RC or a designated entity referred to in Article 88 of this Act, it fails to ensure that a subsidiary of a member of a group of credit institutions in the RC delivers to it the data relevant for the purposes of consolidation, which is contrary to the provision of Article 138, paragraph (2) of this Act;

11) if, as a subsidiary of a member of a group of credit institutions in the RC, a parent mixed financial holding company referred to in Articles 135 and 136 of this Act and a parent financial holding company referred to in Articles 135 and 136 of this Act, it fails to enable the Croatian National Bank, as the competent authority responsible for supervision on a consolidated basis, to exercise supervision of its operations for the purpose of verifying the information referred to in paragraphs (1) and (2) of this Article, which is contrary to the provision of Article 138, paragraph (3) of this Act;

12) if, as the parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in supervision on a consolidated basis of the parent undertaking pursuant to Article 19 of Regulation (EU) No 575/2013, it fails, at the request of the Croatian National Bank, to deliver information which would be relevant for the purpose of supervising that credit institution, which is contrary to the provision of Article 138, paragraph (4) of this Act;

13) if, as a legal person which is a subsidiary of an RC parent credit institution, an EU parent credit institution having its head office in the RC, a mixed financial holding company referred to in Article 135 of this Act or a financial holding company referred to in Article 135 this Act and which is not included in supervision on a consolidated basis, it fails, at the request of the Croatian National Bank, to deliver information which would be relevant for the purpose of supervising individual credit institutions within the group of credit institutions in the RC, or fails to enable the performance of on-site inspections to verify the information delivered, which is contrary to the provision of Article 138, paragraph (5) of this Act;

14) if, as a mixed-activity holding company which is a parent undertaking of one or more credit institutions or its subsidiaries, it fails, at the request of the Croatian National Bank, to deliver, either directly or via the subsidiary credit institutions, all information which is relevant for the purpose of supervising the subsidiary credit institutions, which is contrary to the provision of Article 147, paragraph (1) of this Act;

15) if, as an RC parent credit institution or an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act, it fails to comply with the requirements relating to Titles VI, VII and XV of this Act on a consolidated and a sub-consolidated basis for its

group of credit institutions in the RC or requirements relating to the preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank, which is contrary to the provision of Article 175, paragraph (1) of this Act;

16) if, as an RC parent credit institution and an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant this Act or a designated entity referred to in Title X of this Act, it fails to respectively comply on a consolidated basis for its group of credit institutions in the RC with the requirements on processes to assess the adequacy of internal capital referred to in Article 180 of this Act in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No 575/2013, which is contrary to the provision of Article 175, paragraph (2) of this Act;

17) if, as a subsidiary credit institution, a parent mixed financial holding company in a group of credit institutions in the RC or a parent financial holding company in a group of credit institutions in the RC which is a parent of or holds a participation in another credit or financial institution, an UCITS management company or a pension company with a head office in a third country, it fails to respectively comply with the requirements on procedures to assess the adequacy of internal capital referred to in Title XV of this Act on a sub-consolidated basis, which is contrary to the provisions of Article 175, paragraph (3) of this Act;

18) if, as a parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant to this Act and their subsidiary undertakings in a group of credit institutions in the RC, it fails comply with the requirements on governance arrangements referred to in Title XV of this Act on the level of a group of credit institutions in the RC in order to ensure that the organisational structure, procedures and systems within the group of credit institutions are consistent and well-integrated and enable the collection of any data and information relevant for the purposes of supervision, which is contrary to the provision of Article 175, paragraph (4) of this Act;

19) if, as a parent credit institution in a group of credit institutions in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant to this Act and their subsidiary undertakings in a group of credit institutions in the RC, it fails to ensure that the organisational structure, procedures and systems within the group of credit institutions referred to in Title XV are consistent and well-integrated in their subsidiaries that are not subject to this Act, including those established in offshore financial centres, or if it fails to enable these subsidiaries to collect any data and information relevant for the purposes of supervision, and subsidiary undertakings that are not themselves subject to this Act fail to comply with their sector-specific requirements on an individual basis, which is contrary to the provision of Article 175, paragraph (5) of this Act;

20) if, as an RC parent credit institution and an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act, it fails to apply to those subsidiary undertakings the provisions on the ratio between the variable and fixed components of the total remuneration referred to in Article 201 of this Act on a consolidated basis, which is contrary to the provision of Article 176, paragraph (2) of this Act;

21) if, as an RC parent credit institution or an EU parent credit institution having its head office in the RC, a parent financial holding company and a parent mixed financial holding company that has been granted approval pursuant to this Act or a designated entity referred to in Title X of this Act, it fails to ensure that the requirements referred to in Article 192, paragraphs (1) to (3) and Articles 200, 201 and 202 of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted pursuant to Article 200, paragraph (4) of this Act apply on an individual basis to staff members of subsidiaries that are not subject to this Act, where the conditions referred to in Article 176, paragraph (3), items (1) and (2) of this Act are met, which is contrary to the provision of Article 176, paragraph (3) of this Act;

22) if, as an RC parent credit institution and an EU parent credit institution having its head office in the RC, it fails to ensure that for concluding a legal arrangement based on which the total exposure of a group of credit institutions in the RC that might result in the large exposure of a group of credit institutions in the RC to a single person or group of connected clients, members of the group of credit institutions in the RC, it obtains prior approval of its the supervisory board, which is contrary to the provision of Article 210, paragraph (3) of this Act;

23) if, as an RC parent credit institution and an EU parent credit institution having its head office in the RC, it fails ensure that for concluding a legal arrangement based on which the total exposure of a group of credit institutions in the RC to a single person or group of connected clients would increase so as to reach or exceed 15% or 20%, and each additional 5% of tier 1 capital of a group of credit institutions in the RC, it obtains prior approval of its the supervisory board, which is contrary to the provision of Article 210, paragraph (4) of this Act;

24) if, as a parent undertaking it fails to publish its consolidated annual report of a group as laid down in the regulation governing accounting in machine-readable form on its website, or fails to make it available at the latest within four months following the end of the business year to which the report relates, which is contrary to the provision of Article 218, paragraph (5) of this Act;

25) if, as an EU parent credit institution having its head office in the RC, it fails to prepare a group recovery plan, fails to adopt it or deliver it to the Croatian National Bank, which is contrary to the provision of Article 260, paragraph (1) of this Act;

26) if the recovery plan of an EU parent credit institution having its head office in the RC fails to include the group recovery plan for the group of credit institutions in the EU and fails to set out measures the implementation of which is required at the level of the EU parent credit institution and each subsidiary on an individual basis, which is contrary to the provision of Article 260, paragraph (2) of this Act;

27) if the group recovery plan fails to include arrangements to ensure coordination and consistency of recovery measures to be applied at the level of an EU parent credit institution, an EU financial holding company, an EU mixed financial holding company and EU mixed-activity holding company, an RC parent financial holding company, an EU parent financial holding company, an RC parent mixed-activity holding company, an EU mixed-activity holding company and fails to contain measures to be undertaken at level of subsidiaries and, where necessary, in accordance with this Act, at the level of significant branches, which is contrary to the provision of Article 260, paragraph (5) of this Article;

28) if the group recovery plan and any plan drawn up for an individual subsidiary fails to include the elements set out in Article 258 of this Act and the subordinate legislation pursuant to Article 258, paragraph (15) of this Act, or in case the need arises, these plans do not include intragroup financial measures adopted pursuant to the group financial support agreement concluded in accordance with Title XIX, Chapter II of this Act, which is contrary to the provision of Article 260, paragraph (6) of this Act;

29) if the group recovery plan does not include a range of recovery options outlining measures to address the scenarios envisaged pursuant to subordinate legislation referred to in Article 258, paragraph (15) of this Act, or for each of these scenarios the group recovery plan does not identify whether there are impediments to the implementation of recovery measures within the group, including at the level of individual entities included in the plan, or it does not establish whether there are any substantive, practical and legal impediments to the prompt transfer of own funds or repayment of liabilities or assets within the group, which is contrary to the provision of Article 260, paragraph (7) of this Act;

30) if the signatories to the group financial support agreement fail to specify the principles for the calculation of interest rates and other charges for each transaction made under the agreement, or if interest rates and other charges are not determined at the time of the provision of financial support, or if at the time of concluding the agreement and specifying the principles for the calculation of interest rates and other charges signatories to the agreement failed to take account of whether they acted freely when concluding the agreement, or whether each signatory to the agreement acted in its own best interest, whereby they may take into account any direct or any indirect benefit that may accrue to the signatory to the agreement as a result of the provision of the financial support, or that each beneficiary of the financial support shall disclose all relevant information to the provider of the financial support prior to the determination of interest rates and other charges for the provision of financial support and prior to the reaching of the decision to provide financial support, or that in determining interest rates and other charges for the provision of financial support the provider of financial support may take into account information available to the provider of the financial support based on it being in the same group of credit institutions as the beneficiary of financial support and which is not publicly available, or that the principles of calculating interest rates and other charges for the provision of financial support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the operation of that group of credit institutions, which is contrary to the provision of Article 262, paragraph (11) of this Act;

31) if, as an EU parent credit institution having its head office in the RC, it concluded a financial support agreement, without having submitted to the Croatian National Bank as the consolidating supervisor an application for authorisation of the group financial agreement for the group of credit institutions in the EU, or it failed to enclose to it the proposed text of the agreement and identity of members of the group of credit institutions in the RC that propose to be signatories to the agreement, which is contrary to the provision of Article 263, paragraph (1) of this Act;

32) if, as an RC parent credit institution or an EU parent credit institution having its head office in the RC, it fails ensure that all members of a group of credit institutions in the RC proposing to conclude the agreement, which are not credit institutions or investment firms act in accordance with the provisions of Title XIX of this Act, which is contrary to the provision of Article 264, paragraph (7) of this Act;

33) if, as an RC parent credit institution or an EU parent credit institution having its head office in the RC, it fails to notify the Croatian National Bank if its subsidiary intends to provide financial support, which is contrary to the provision of Article 268, paragraph (2) of this Act;

34) if, an RC parent credit institution or an EU parent credit institution having its head office in the RC referred to in this Act, fails to, for each member of a group of credit institutions in the RC which is not a credit institution having its head office in the RC, make public or update at least annually the information whether it concluded a financial support agreement in the EU or the general terms of the concluded financial support agreement or the names of other signatories to the agreement, which is contrary to the provision of Article 269, paragraph (4) of this Act;

35) if, as an RC parent credit institution and an EU parent credit institution having its head office in the RC in this Act, it fails to make the public disclosure referred to in Article 269, paragraph (3) of this Act in accordance with Articles 431 to 434 of Regulation (EU) No 575/2013, for each member of a group of credit institutions in the RC which is not a credit institution having its head office in the RC, which is contrary to the provision of Article 269, paragraph (5) of this Act;

36) if it acts contrary to legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013;

37) if it acts contrary to the Commission Delegated or Commission Implementing Regulation adopted pursuant to Regulation (EU) No 575/2013 or Directive 2013/36 /EU;

38) if it fails to comply with the decision of the Croatian National Bank.

(2) A responsible legal person shall be fined in the amount of up to 10% of the total annual net turnover of the legal person for the breaches referred to in paragraph (1) of this Article, and if it has been determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(3) A responsible person of a legal person shall be fined up to EUR 15,000.00 for the breaches referred to in paragraph (1) of this Article.

(4) Periodic penalty payments can be imposed for the breaches referred to in paragraph (1) of this Article:

1) in case of a legal person, up to 5% of the average daily net turnover for each day of the ongoing breach;

2) in case of a responsible person of a legal person, up to EUR 500.00 for each day of the ongoing breach.

(5) The following administrative measures can be imposed for the breaches referred to in paragraph (1) of this Article:

1) a public statement which identifies the perpetrator, a responsible parent credit institution, designated credit institution, parent financial holding company, mixed financial holding company, subsidiary member of a group of credit institutions or intermediate parent undertaking or the responsible person of a legal person and the type and description of the breach and

2) an order requiring from the perpetrator, a responsible parent credit institution, designated credit institution, parent financial holding company, parent mixed financial holding company, subsidiary member of a group of credit institutions or intermediate parent undertaking or the responsible person of that legal person to cease the conduct and desist from repeating the breach.

Breaches of credit institutions with head offices outside the Republic of Croatia

Article 377

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a credit institution from another Member State, or, if the provisions of this Act pertain to a branch of a credit institution, on a branch of a credit institution from another Member State, if one of the following breaches is established:

1) if it establishes a branch in the Republic of Croatia and provides mutually recognised services that it is not authorised to provide in the home Member State, which is contrary to the provision of Article 64, paragraph (1) of this Act;

2) if it provides mutually recognised services in the Republic of Croatia that it is not authorised to provide in the home Member State, which is contrary to the provision of Article 64, paragraph (2) of this Act;

3) if it begins to provide services through a branch in the Republic of Croatia before the expiry of a period of two months of receipt by the Croatian National Bank of the notification from the competent authority of the home Member State in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, which is contrary to the provision of Article 66, paragraph (1) of this Act;

4) if it fails to notify the Croatian National Bank of a change to any of the data delivered to the competent authority of the home Member State, in the scope laid down in the Commission Delegated Regulation (EU) No

1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, at least one month before effecting the change, which is contrary to the provision of Article 66, paragraph (3) of this Act;

5) if it begins to directly provide mutually recognised services within the territory of the Republic of Croatia before the Croatian National Bank receives the notification from the competent authority of that Member State thereof, which is contrary to the provision of Article 67 of this Act;

6) if it fails to notify the Croatian National Bank of its intention to establish a representative office of a credit institution in the Republic of Croatia, which is contrary to the provision of Article 86, paragraph (1) of this Act;

7) if it fails to deliver to the Croatian National Bank a notification of its intention to establish a representative office of a credit institution in the Republic of Croatia which includes the information referred to in Article 86, paragraph (3) of this Act, which is contrary to the provision of Article 86, paragraph (3) of this Act;

8) if the representative office of a credit institution begins its operation prior to receipt of the notification from the Croatian National Bank referred to in Article 86, paragraph (2) of this Act, which is contrary to the provision of Article 86, paragraph (4) of this Act;

9) if the representative office of a credit institution carries out activities other than those specified in Article 3, paragraph (1), item (99) of this Act, which is contrary to the provision of Article 86, paragraph (5) of this Act;

10) if it fails to notify the Croatian National Bank of the establishment or a dissolution of a representative office, which is contrary to the provision of Article 86, paragraph (6) of this Act;

11) if it fails to deliver to the Croatian National Bank information on all services that the branch provides within the territory of the Republic of Croatia or fails to deliver the information in the manner and within time limits provided for in the subordinate legislation adopted in accordance with Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 125, paragraph (1) of this Act;

12) if it fails to act in accordance with the decision of the Croatian National Bank imposing appropriate measures to prevent further breaches in order to protect the general interest of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system, which is contrary to the provision of Article 126, paragraph (5) of this Act;

13) if it fails to comply with the decision of the Croatian National Bank imposing precautionary measures, which is contrary to the provision of Article 128 of this Act;

14) if it fails to deliver to the Croatian National Bank financial statements and other reports in the form and content provided for in the subordinate legislation adopted pursuant to the provisions of Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 217, paragraph (1) of this Act;

15) if it fails to publish on its website in the Croatian language the audited annual financial statements, the annual consolidated financial statements and the annual report of its founder, including the audit report, prepared and audited in accordance with the regulations of the country where the founder has its head office at the latest 45 days of the expiry of the time limit for disclosure of these reports, which is contrary to the provision of Article 218, paragraph (7) of this Act;

16) if it fails to comply with a decision of the Croatian National Bank.

(2) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on the undertaking referred to in Article 70, paragraph (3) of this Act or a third-country branch if one of the following breaches is established:

1) if it takes deposits or other repayable funds from the public without authorisation to provide banking services, which is contrary to the provision of Article 11, paragraph (5) of this Act;

2) if it provides banking and/or financial services within the territory of the Republic of Croatia without establishing a branch or if established a branch and provides banking and/or financial services within the territory of the Republic of Croatia which it is not authorised to provide in a third country, which is contrary to the provision of Article 70, paragraph (1) of this Act;

3) if it establishes a branch without authorisation from the Croatian National Bank, which is contrary to the provision of Article 70, paragraph (3) of this Act;

4) if it enters a branch in the register of companies without authorisation from the Croatian National Bank, which is contrary to the provision of Article 70, paragraph (5) of this Act;

5) if it fails to act in accordance with the data submission requirement of the Croatian National Bank referred to in Article 70, paragraph (9) of this Act, which is contrary to the provision of Article 70, paragraph (10) of this Act;

6) if it fails to notify the Croatian National Bank of each change in the conditions referred to in Article 71, paragraph (1) of this Act, which is contrary to the provision of Article 71, paragraph (6) of this Act;

7) if it fails to notify the Croatian National Bank of the existence of circumstances referred to in Article 74, paragraph (1), item (b) of this Act, which is contrary to the provision of Article 74, paragraph (2) of this Act;

8) if a third-country branch classified as class 1 fails to keep on an ongoing basis a minimum amount of capital endowment at least equal to 2.5% of the average liabilities of a third-country branch for three annual reporting periods immediately preceding the current period or, for a third-country branch which has been granted a new authorisation to establish a third-country branch, the obligation of the branch at the time of issue of that authorisation, as shown in accordance with Article 83 of this Act, but not less than EUR 10 million, which is contrary to the provision of Article 77, paragraph (1) item (1) of this Act;

9) if a third-country branch classified as class 2 fails to keep on an ongoing basis a minimum amount of capital endowment at least equal to, 0.5% of the average liabilities of a third-country branch for three annual reporting periods immediately preceding the current period or, for a third-country branch which has been granted a new authorisation to establish a third-country branch, the obligation of the branch at the time of granting of that authorisation, as shown in accordance with Article 83 of this Act, but not less than EUR 5 million, which is contrary to the provision of Article 77, paragraph (1), item (2) of this Act;

10) if it fails to deposit the instruments of capital endowment referred to in Article 77, paragraph (2) of this Act to an escrow account of a credit institution in the Republic of Croatia which is not a part of a group of the head undertaking, which is contrary to the provision of Article 77, paragraph (3) of this Act;

11) if the forms of assets to meet the requirements for minimum capital endowment referred to in Article 77, paragraph (2) of this Act do not meet the criteria laid down in the subordinate legislation adopted in accordance with the provisions of Article 77, paragraph (6) of this Act;

12) if it fails to keep on an ongoing basis a quantity of unencumbered assets sufficient to cover liquidity outflows of that branch over a period of minimum 30 days, which is contrary to the provision of Article 78, paragraph (1) of this Act;

13) if it fails to deposit the liquid assets held for the purpose of meeting the requirements referred to in Article 78, paragraph (1) of this Act to an escrow account of a credit institution in the Republic of Croatia which is not a part of a group of the head undertaking, which is contrary to the provision of Article 78, paragraph (3) of this Act;

14) if it fails to appoint at least two persons responsible for directing the business of the branch and for directing the business of the branch from the territory of the Republic of Croatia, which is contrary to the provision of Article 79, paragraph (1) of this Act;

15) if it, without prior approval from the Croatian National Bank, appoints or enters in the register of companies the persons authorised in the operations of the branch to represent the founding undertaking, which is contrary to the provision of Article 79, paragraph (2) of this Act;

16) if the persons responsible for directing of the branch do not fulfil the criteria referred to in Article 44 of this Act, which is contrary to the provision of Article 79, paragraph (3) of this Act;

17) if it fails to appoint a management committee, which is contrary to the provision of Article 79, paragraph (5) of this Act;

18) if the persons appointed to the management committee do not fulfil the criteria referred to in Title VI of this Act, which is contrary to the provision of Article 79, paragraph (5) of this Act;

19) if it acts contrary to rules on governance arrangements referred to in Title XV, Chapter III of this Act, which is contrary to the provision of Article 79, paragraph (6) of this Act;

20) if it fails to appoint a head of internal control functions in accordance with Title XV, Chapter V of this Act, which is contrary to the provision of Article 79, paragraph (7) of this Act;

21) if it fails to establish the lines of reporting to the management body of the head undertaking comprising all material risks and risk management policies and their changes and to establish appropriate ICT systems and controls to achieve compliance with these policies, which is contrary to the provision of Article 79, paragraph (8) of this Act;

22) if it fails to monitor and manage outsourcing of its business processes and ensure the Croatian National Bank full access to all information it needs to perform its supervisory powers, which is contrary to the provision of Article 79, paragraph (9) of this Act;

23) if it participates in back-to-back operations or operations within a group and it does not have adequate resources to determine and duly manage counterparty credit risk if material risks associated with booked assets recorded in business books of a third-country branch are transferred to another counterparty, which is contrary to the provision of Article 79, paragraph (10) of this Act;

24) if the head undertaking of a third-country branch carries out its key or important functions and these functions are carried out in accordance with internal policies or procedures or agreements within a group, and a third-country branch does not ensure the Croatian National Bank access to all information it needs to perform its supervisory powers, which is contrary to the provision of Article 79, paragraph (11) of this Act;

25) if it fails to hire a certified auditor to give an assessment for each business year of the implementation and ongoing compliance of a third-country branch with the requirements laid down in Article 79 of this Act, which is contrary to the provision of Article 79, paragraph (12) of this Act;

26) if it fails to submit a report to the Croatian National Bank as a minimum once a year on the findings and conclusions on the implementation and ongoing compliance of a third-country branch with the requirements laid down in Article 79 of this Act, which is contrary to the provision of Article 79, paragraph (12) of this Act;

27) if it acts contrary to subordinate legislation adopted pursuant to the provisions of Article 79, paragraph (14) of this Act;

28) if it fails keep business books to enable monitoring and comprehensive and accurate records of all the booked assets and liabilities of a third-country branch or all the assets and liabilities originating in a third-country branch in the Republic of Croatia and independent management of that assets and liabilities within a third-country branch, which is contrary to the provision of Article 80, paragraph (1) of this Act;

29) if it fails to keep business books in such a manner that they provide all the necessary and sufficient information about the risks arising from the operations of that branch and how these risks are managed, which is contrary to the provision of Article 80, paragraph (2) of this Act;

30) if it fails to prescribe and develop, and regularly re-examine and update accounting policies and procedures for keeping business books, which is contrary to the provision of Article 80, paragraph (3) of this Act;

31) if it fails to document the policies referred to in Article 80, paragraph (3) of this Article or fails to document amendments to them, which is contrary to the provision of Article 80, paragraph (4) of this Act;

32) if it fails to ensure regular preparation of an independent, written and reasoned opinion on the implementation and ongoing compliance with the requirements referred to in Article 80, paragraphs (1) to (5) of this Act and its delivery to the Croatian National Bank, with findings and conclusions included, which is contrary to the provision of Article 80, paragraph (6) of this Act;

33) if it fails to act in accordance with order of the Croatian National Bank and submits the application for authorisation in accordance with Title III, Chapter II of this Act and continues to operate as a credit institution, which is contrary to the provision of Article 81, paragraph (1) of this Act;

34) if it fails to deliver or deliver in the manner laid down in the delegated act, adopted by the European Commission under Article 48, paragraph (1) of Directive 2013/36/EU, information on assets and liabilities held on its business books in accordance with Article 80 of this Act and assets and liabilities originated in that branch broken down by the largest recorded assets and liabilities classified by sector and counterparty type, including, in particular, financial sector exposures, significant exposure and funding source concentrations to specified types of counterparties, significant internal transactions with head undertaking and with members of the head undertaking's group, which is contrary to the provision of Article 83, paragraph (1), item (1) of this Act;

35) if it fails to deliver or deliver in the manner laid down in the delegated act, adopted by the European Commission under Article 48, paragraph (1) of Directive 2013/36/EU, information on the compliance of the third-country branch with the requirements that apply to them pursuant to this Act, which is contrary to the provision of Article 83, paragraph (1), item (2) of this Act;

36) if, at the request of the Croatian National Bank, it fails to deliver or deliver in the manner laid down in the delegated act, adopted by the European Commission under Article 48, paragraph (1) of Directive 2013/36/EU, information on the deposit protection arrangements available to depositors in the third-country branch in accordance with the law governing deposit insurance, which is contrary to the provision of Article 83, paragraph (1), item (3) of this Act;

37) if it fails to deliver or deliver in the manner laid down in the delegated act, adopted by the European Commission under Article 48, paragraph (1) of Directive 2013/36/EU, information on additional regulatory requirements in accordance with this Act and regulations adopted pursuant to this Act, which is contrary to the provision of Article 83, paragraph (1), item (4) of this Act;

38) if, when reporting on assets and liabilities held on its business books in accordance with Article 80 of this Act and assets and liabilities originated in that branch in accordance with Article 83, paragraph (1), item (1) of this Act, it fails to apply the international accounting standards in accordance with Regulation (EC) No 1606/2002, which is contrary to the provisions of Article 83, paragraph (2) of this Act;

39) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant to Article 83, paragraph (5) of this Act aggregated information on the

assets and liabilities held or booked, respectively, by the subsidiaries and other third-country branches of that head undertaking's group in the European Union, which is contrary to the provision of Article 83, paragraph (3), item (a) of this Act;

40) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant to Article 83, paragraph (5) of this Act information on the head undertaking's compliance with applicable prudential requirements on an individual and consolidated basis, which is contrary to the provision of Article 83, paragraph (3), item (b) of this Act;

41) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant to Article 83, paragraph (5) of this Act information significant supervisory reviews and evaluations when those are conducted on the head undertaking and the consequent supervisory decisions, which is contrary to the provision of Article 83, paragraph (3), item (c) of this Act;

42) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant to Article 83, paragraph (5) of this Act the recovery plans of the head undertaking and the specific measures that could be taken on the third-country branch in accordance with those plans, and any subsequent updates and amendments to those plans, which is contrary to the provision of Article 83, paragraph (3), item (d) of this Act;

43) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant Article 83, paragraph (5) of this Act the head undertaking's business strategy in relation to a third-country branch, and any subsequent changes to that strategy, which is contrary to the provision of Article 83, paragraph (3), item (e) of this Act;

44) if it fails to deliver or fails to deliver within the time limit and in the manner provided for in subordinate legislation adopted pursuant to Article 83, paragraph (5) of this Act the list of services provided by the head undertaking to clients established or located in the European Union on the basis of reverse solicitation of services in accordance with Article 70 of this Act, which is contrary to the provision of Article 83, paragraph (3), item (e) of this Act;

45) if it fails to notify the Croatian National Bank of its intention to establish a representative office of a credit institution in the Republic of Croatia, which is contrary to the provision of Article 86, paragraph (1) of this Act;

46) if it fails to deliver to the Croatian National Bank a notification of its intention to establish a representative office of a credit institution in the Republic of Croatia which includes the information referred to in Article 86, paragraph (3) of this Act, which is contrary to the provision of Article 86, paragraph (3) of this Act;

47) if the representative office of a credit institution begins its operation prior to receipt of the notification from the Croatian National Bank referred to in Article 86, paragraph (2) of this Act, which is contrary to the provision of Article 86, paragraph (4) of this Act;

48) if the representative office of a credit institution carries out activities other than those specified in Article 3, paragraph (1), item (99) of this Act, which is contrary to the provision of Article 86, paragraph (5) of this Act;

49) if it fails to notify the Croatian National Bank of the establishment or a dissolution of a representative office, which is contrary to the provision of Article 86, paragraph (6) of this Act;

50) if it fails to deliver to the Croatian National Bank financial statements and other reports in the form and content provided for in the subordinate legislation adopted pursuant to the provisions of Article 217, paragraph (2) of this Act, which is contrary to the provision of Article 217, paragraph (1) of this Act;

51) if it fails to publish on its website in the Croatian language the audited annual financial statements and the annual consolidated financial statements and the annual report of its founder, including the audit report, prepared and audited in accordance with the regulations of the country where the founder has its head office at the latest 45 days of the expiry of the time limit for disclosure of these reports, which is contrary to the provision of Article 218, paragraph (7) of this Act;

52) if it fails to comply with the decision of the Croatian National Bank;

53) if it acts contrary to legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013, if it acts contrary to the Commission Delegated or Commission Implementing Regulation adopted pursuant to Regulation (EU) No 575/2013 or Directive 2013/36 /EU.

(3) A responsible legal person shall be fined in the amount of up to 10% of the total annual net turnover of the legal person for the breaches referred to in paragraphs (1) and (2) of this Article and if it has been determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(4) A branch of a credit institution from another Member State or a third-country branch shall be fined in the amount of up to 10% of the total income for the breaches referred to in paragraphs (1) and (2) of this Article and if it has been determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(5) A responsible person shall be fined up to EUR 15,000.00 for the breaches referred to in paragraphs (1) and (2) of this Article.

(6) Periodic penalty payments can be imposed for the breaches referred to in paragraphs (1) and (2) of this Article.

1) in case of a legal person, up to 5% of the average daily net turnover, or, in case of a branch of a credit institution, up to 5% of the average daily turnover for each day of the ongoing breach;

2) in case of a responsible person, up to EUR 500.00 for each day of the ongoing breach.

(7) The following administrative measures can be imposed for the breaches referred to in paragraphs (1) and (2) of this Article:

1) a public statement which identifies a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking, undertaking established in a third country, a branch of a credit institution or a responsible person and the type and description of the breach; and

2) an order requiring from a legal person or branch of a credit institution or a responsible person to cease the conduct and desist from repeating the breach.

Breaches by savings banks

Article 378

(1) A savings bank shall be fined up to 10% of total income:

1) if the words 'savings bank' are not contained in its firm name, which is contrary to the provision of Article 330, paragraph (2) of this Act;

2) if it provides services without authorisation of the Croatian National Bank, which is contrary to the provision of Article 332, paragraph (2) of this Act;

3) if it operates outside the Republic of Croatia or establishes a branch or a representative office outside the Republic of Croatia, which is contrary to the provision of Article 332, paragraph (3) of this Act;

4) if it issues preferential shares, which is contrary to the provision of Article 333 of this Act;

(2) A responsible person of the management board of a savings bank shall be fined up to EUR 2000.00 for the breaches referred to in paragraph (1) of this Article.

Breaches by the management and supervisory board

Article 379

(1) Members of a credit institution's management board or the person referred to in Article 79, paragraph (1) of this Act shall be fined up to EUR 5000.00:

1) if the management board fails to direct the business of a credit institution from the territory of the Republic of Croatia;

2) in cases where the management board authorises a procurator to represent the credit institution or conclude contracts and perform legal acts in the name and for the account of the credit institution, which arise from the services for which the credit institution obtained authorisation, but only together with at least one member of the credit institution's management board, it failed to authorise him or her to do so with at least one member of the credit institution, which is contrary to the provision of Article 42, paragraph (4) of this Act;

3) if, when entering the name of a procurator in the register of companies, they fail to enter the limitations on the power of the procurator, which is contrary to the provision of Article 42, paragraph (5) of this Act;

4) if, subject to prior approval of the supervisory board, they fail to adopt an appropriate selection policy and a policy for assessing compliance with the selection criteria for members of the credit institution's management board or if it is not in accordance with the subordinate legislation adopted pursuant to Article 44, paragraph (9) of this Act, which is contrary to the provision of Article 44, paragraph (6) of this Act;

5) if they fail to attend the meeting of the management board convened by the trustee upon the invitation of the trustee, which is contrary to the provision of Article 115, paragraph (2) of this Act;

6) if they fail to approve and, at least every two years, review the credit institution's strategic objectives and strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and the status of its business cycle as well as the risks

arising from current, short-, medium- and long-term effects of ESG factors, which is contrary to the provision of Article 183, paragraph (1), item (1) of this Act;

7) if they fail to commit sufficient time to examining risk issues, which is contrary to the provision of Article 183, paragraph (1), item (2) of this Act;

8) if they are not actively involved in managing all material risks governed by this Act and Regulation (EU) No 575/2013 as well as the valuation of assets and the use of external credit ratings and internal models related to those risks, and do not oversee whether adequate resources are allocated for those purposes, which is contrary to the provision of Article 183, paragraph (1), item (3) of this Act;

9) if they fail to develop and oversee the implementation of specific plans, quantifiable targets and procedures for the monitoring and managing of financial risks arising from short-, medium- and long-term ESG factors, including those arising from the adjustment process and the trends of transitioning towards the applicable regulatory goals of the Republic of Croatia and the European Union and legal acts relating to ESG factors, in particular those set out in Regulation (EU) 2021/1119 (European Climate Act) or goals and regulations of third countries, which is contrary to the provision of Article 183, paragraph (1), item (4) of this Act;

10) if they fail to develop specific plans and quantifiable targets in accordance with the requirements laid down in Article 7a of Regulation (EU) No 648/2012 for the purpose of monitoring and eliminating the concentration risk arising from exposures towards central counterparties offering services of substantial systemic importance for the European Union or one or more of its Member States, which is contrary to the provision of Article 183, paragraph (1), item (5) of this Act;

11) if they fail to ensure the integrity of the accounting and financial reporting systems, including financial and operational controls, and compliance with law and relevant standards, which is contrary with the provisions of Article 187, paragraph (4), item (1) of this Act;

12) if they fail to regularly review and monitor the process of disclosure and communications, which is contrary to the provision of Article 187, paragraph (4), item (2) of this Act;

13) if they fail to ensure effective oversight of senior management, which is contrary to the provision of Article 187, paragraph (4), item (3) of this Act;

14) if they fail, periodically, and on an annual basis at a minimum, to assess the effectiveness of the credit institution's governance arrangements, including the adequacy of procedures and efficiency of control functions, document their conclusions and take appropriate steps to address any identified deficiencies, which is contrary to the provision of Article 187, paragraph (6) of this Act;

15) if they act contrary to subordinate legislation adopted pursuant to Article 187, paragraph (8) of this Act;

16) if they fail to ensure that the credit institution operates in compliance with professional rules and standards or this Act, regulations adopted pursuant to this Act and, where applicable, regulations of the European Union governing the operation of credit institutions and legal acts of the European Central Bank adopted pursuant to Regulation (EU) No 1024/2013 or in accordance with other regulations governing the operation of credit institutions, which is contrary to the provision of Article 188, paragraph (1) of this Act;

17) if they fail to ensure the implementation of supervisory measures imposed by the Croatian National Bank, which is contrary to the provision of Article 188, paragraph (2), item (1) of this Act;

18) if they fail to adopt the business policy of the credit institution, which is contrary to the provision of Article 188, paragraph (2), item (2) of this Act;

19) if they fail to notify without delay, or to notify in writing, the credit institution’s supervisory board that the liquidity or solvency of the credit institution is jeopardised, which is contrary to the provision of Article 189, paragraph (1), item (1) of this Act;

20) if they fail to notify without delay, or to notify in writing, the credit institution’s supervisory board that reasons arose for lapsing or withdrawal of authorisation to provide individual financial services, which is contrary to the provision of Article 189, paragraph (1), item (2) of this Act;

21) if they fail to notify without delay, or to notify in writing, the credit institution's supervisory board that the credit institution's financial position changed to the extent that any of its capital ratios fell below the level laid down in Article 92, paragraph (1) of Regulation (EU) No 575/2013 or Article 107, paragraph (1), item (1) of this Act, which is contrary to the provision of Article 189, paragraph (1), item (3) of this Act;

22) if they fail to notify without delay, or to notify in writing, the supervisory board of the credit institution that the liquidity or solvency of the credit institution is jeopardised, which is contrary to the provision of Article 189, paragraph (1), item (1) of this Act;

23) if they fail to notify without delay, or to notify in writing, the supervisory board of the credit institution of any drafts, reports or measures of the Croatian National Bank or other supervisory authorities adopted within

the scope of supervision or oversight of a credit institution, which is contrary to the provision of Article 189, paragraph (1), item (5) of this Act;

24) if they fail to notify without delay, or to notify in writing, the credit institution's supervisory board of their appointment to or removal from the supervisory body of another legal person, which is contrary to the provision of Article 189, paragraph (2), item (1) of this Act;

25) if they fail to notify without delay, or to notify in writing, the credit institution's supervisory board of legal arrangements on the basis of which management board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which management board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold, which is contrary to the provision of Article 189, paragraph (2) item (2) of this Act;

26) if they fail to adopt an internal bylaw on each internal control function, which is contrary to the provision of Article 197, paragraph (4) of this Act;

27) if they appoint or remove from office the head of an individual internal control function without the approval of the credit institution's supervisory board, which is contrary to the provision of Article 199, paragraph (6) of this Act;

28) if, within eight days of the adoption of the decision, they fail to deliver the decision to appoint an audit firm to the Croatian National Bank, which is contrary to the provision of Article 219, paragraph (1) of this Act;

29) if they fail to adopt a recovery plan subject to prior approval of the supervisory board, which is contrary to the provision of Article 258, paragraph (5) of this Act;

30) if they fail to ensure that the member of a group of credit institution which is a signatory to the agreement reports on an annual basis at a minimum to the general assembly on the performance of the agreement and on the implementation of any decision taken pursuant to the agreement, which is contrary to the provision of Article 264, paragraph (6) of this Act;

31) if they fail to provide to the special administration and its assistants immediate access to all business and other documentation of the credit institution and prepare a report on the transfer of operations to the special administration, which is contrary to the provision of Article 282, paragraph (1) of this Act;

32) if they fail to provide the special administration or its individual member all explanations and additional reports on the credit institution's operation, which is contrary to the provision of Article 282, paragraph (2) of this Act;

(2) Members of a credit institution's supervisory board or the person referred to in Article 79, paragraph (5) of this Act exercising the authority of the supervisory board in a third-country branch shall be fined up to EUR 5000.00:

1) if they, at least four months prior to the planned appointment of an individual management board member, fail to submit to the Croatian National Bank an application for prior approval to perform a function of a member or a chairperson of the management board, which is contrary to the provision of Article 45, paragraph (16) of this Act;

2) if they fail to attend the meeting of the supervisory board convened by the trustee upon the invitation of the trustee, which is contrary to the provision of Article 115, paragraph (2) of this Act;

3) if they fail, at least every two years, to review the credit institution's strategic objectives and strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and the status of its business cycle, as well as the risks arising from current, short-, medium- and long-term effects of ESG factors, which is contrary to the provision of Article 183, paragraph (1), item (1) of this Act;

4) if they fail to commit sufficient time to examining risk issues, which is contrary to the provision of Article 183, paragraphs (2), item (2) of this Act;

5) if they fail to oversee or monitor the management of all material risks governed by this Act and Regulation (EU) No 575/2013, as well as the valuation of assets and the use of external credit ratings and internal models related to those risks, and do not oversee whether adequate resources are allocated for those purposes, which is contrary to the provision of Article 183, paragraph (2), item (3) of this Act;

6) if they fail to oversee the implementation of specific plans, quantifiable targets and procedures for the monitoring and managing of financial risks arising from short-, medium- and long-term ESG factors, including those arising from the adjustment process and the trends of transitioning towards the applicable regulatory goals of the Republic of Croatia and the European Union and legal acts relating to ESG factors, in particular those set out in Regulation (EU) 2021/1119 (European Climate Act) and, where applicable, goals and regulations of third countries, which is contrary to the provision of Article 183, paragraph (2), item (4) of this Act;

7) if they fail to oversee the implementation of specific plans and quantifiable targets in accordance with the requirements laid down in Article 7a of Regulation (EU) No 648/2012 for the purpose of monitoring and eliminating the concentration risk arising from exposures towards central counterparties offering services of substantial systemic importance for the European Union or one or more of its Member States, which is contrary to the provision of Article 183, paragraph (2), item (5) of this Act;

8) if they fail to monitor the activities of the credit institution's management board laid down in Article 187, paragraph (4) of this Act, which is contrary to the provision of Article 187, paragraph (5) of this Act;

9) if they fail to, periodically, and on an annual basis at a minimum, assess the effectiveness of the credit institution's governance arrangements, including the adequacy of procedures and efficiency of control functions, document their conclusions and take appropriate steps to address any identified deficiencies, which is contrary to the provision of Article 187, paragraph (6) of this Act;

10) if they act contrary to subordinate legislation adopted pursuant to Article 187, paragraph (8) of this Act;

11) if they fail to determine the nature, amount, format and frequency of the information which they are to receive from appropriate functions, persons and organisational units of the credit institution, which is contrary to the provision of Article 189, paragraph (4) of this Act;

12) if they fail to give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures and inspection of the credit institution, or fail to give these opinions within 30 days of receipt of a document on inspection findings from the Croatian National Bank or an inspection report from other supervisory authorities, which is contrary to the provision of Article 191, paragraph (1), item (1) of this Act;

13) if they fail to oversee the adequacy of procedures and effectiveness of internal audit activities, which is contrary to the provision of Article 191, paragraph (1), item (2) of this Act;

14) if they fail to state their opinion on semi-annual internal audit reports, which is contrary to the provision of Article 191, paragraph (1), item (3) of this Act;

15) if they fail to immediately notify the Croatian National Bank of their appointment to or removal from the management or supervisory bodies of other legal persons, which is contrary to the provision of Article 191, paragraph (1), item (4), sub-item (a) of this Act;

16) if they fail to immediately notify the Croatian National Bank of any legal arrangements on the basis of which supervisory board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which supervisory board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold, which is contrary to the provision of Article 191, paragraph (1) item (4), sub-item (b) of this Act;

17) if they fail to oversee the implementation of the credit institution's business policy, which is contrary to the provision of Article 191, paragraph (1), item (5) of this Act;

18) if they fail to establish or review regularly the basic principles of remuneration policy or fail to monitor whether remuneration policies and practices are appropriately implemented in alignment with the overall corporate governance framework, corporate culture, risk appetite and the related governance process, which is contrary to the provision of Article 191, paragraph (1), item (6) of this Act;

19) if they fail to establish a remuneration committee and a risk committee, and the credit institution is not a small and non-complex credit institution, which is contrary to the provision of Article 192, paragraph (1) of this Act;

20) if they fail to perform the tasks of the nomination committee, referred to in Article 193 of this Act and the remuneration committee, referred to in Article 195 of this Act, where the credit institution is a small and non-complex credit institution which did not establish a remuneration committee and a nomination committee, which is contrary to the provision of Article 192, paragraph (3) of this Act;

21) if they fail to establish a risk committee or fail to combine a risk and an audit committee, where the credit institution is a small and non-complex credit institution, which is contrary to the provision of Article 192, paragraph (4) of this Act;

22) if they fail to ensure that each committee has at least three members, which is contrary to the provision of Article 192, paragraph (6) of this Act;

23) if they fail to acts in accordance with subordinate legislation adopted pursuant to the provisions of Article 192, paragraph (7) of this Act;

(3) Periodic penalty payments of up to EUR 50,000.00 can be imposed on a responsible person, for the breaches referred to in paragraphs (1) and (2) of this Article, for each day of the ongoing breach.

(4) The following administrative measures can be imposed for the breaches referred to in paragraphs (1) and (2) of this Article:

1) a public statement which identifies the perpetrator, a responsible person, and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible person to cease the conduct and desist from repeating the breach.

3) a temporary ban on the performance of the function of a management or supervisory board member.

Other breaches of Regulation (EU) No 575/2013 and breaches by liquidators

Article 380

(1) A fine, a warning, periodic penalty payments or an administrative measure can be imposed on a legal or a natural person and a responsible person of a legal person if one of the following breaches is established:

1) if they included interim or year-end profits in common equity tier 1 capital without prior permission of the Croatian National Bank or included interim or year-end profits in common equity tier 1 capital before taking a formal decision confirming the final profit or loss of the institution, which is contrary to the provision of Article 26, paragraph (2) of Regulation (EU) No 575/2013;

2) if they make payments to holders of instruments included in the own funds in cases where Article 28, 52 or 63 of Regulation (EU) No 575/2013 prohibit such payments;

3) if, as a resolution entity that is a G-SII or a part of a G-SII or material subsidiary of a non-EU G-SII, they fail to calculate items of eligible liabilities in accordance with Part Two, Title I, Chapter 5a of Regulation (EU) No 575/2013 or in accordance with the technical standard adopted by the European Commission pursuant to the provisions of Part Three of Regulation (EU) No 575/2013;

4) if the credit institution, without prior permission of the Croatian National Bank, recognises capital instruments and liabilities for which the institution has the sole discretion to decide to pay distributions in a form other than cash or own funds instruments as eligible liabilities instruments, which is contrary to the provision of Article 73, paragraph (1) of Regulation (EU) No 575/2013;

5) if the credit institution fails to report or disclose the broad market indices on which their capital instruments and eligible liabilities instruments rely, which is contrary to the provision of Article 73, paragraph (6) of Regulation (EU) No 575/2013;

6) if the credit institution, without having met the conditions laid down in Article 76, paragraph (1) of Regulation (EU) No 575/2013 reduces the amount of a long position in an eligible liability by the portion of an index that is made up of the same underlying exposure that is being hedged, which is contrary to the provision of Article 76, paragraph (1) of Regulation (EU) No 575/2013;

7) if the credit institution, without prior permission from the Croatian National Bank, uses a conservative estimate of the underlying exposure to eligible liabilities included in the indices as an alternative to calculating its exposure, which is contrary to the provision of Article 76, paragraph (2) of Regulation (EU) No 575/2013;

8) if, as a credit institution, without prior permission from the Croatian National Bank, it effects the call, redemption, repayment or repurchase of eligible liabilities instruments prior to the date of their contractual maturity, contrary to the provision of Article 77, paragraph (2) of Regulation (EU) No 575/2013;

9) if, as a credit institution, it fails at all times to satisfy the own funds requirements laid down in Article 92, paragraph (1) of Regulation (EU) No 575/2013, which is contrary to the provision of Article 92, paragraph (1) of Regulation (EU) No 575/2013;

10) if, as a credit institution, which is a resolution entity and a G-SII entity or a part of the G-SII, it fails to satisfy the requirement for own funds and eligible liabilities expressed as a percentage of the total risk exposure amount calculated in accordance with Article 92a, paragraph (1), item (a) of Regulation (EU) No 575/2013, which is contrary to the provision of Article 92a, paragraph (1), item (a) of Regulation (EU) No 575/2013;

11) if, as a credit institution, which is a resolution entity and a G-SII entity or a part of the G-SII, it fails to satisfy the requirement for own funds and eligible liabilities expressed as a percentage of the total risk exposure amount calculated in accordance with Article 92a, paragraph (1), item (a) of Regulation (EU) No 575/2013, which is contrary to the provision of Article 92a, paragraph (1), item (b) of Regulation (EU) No 575/2013;

12) if, as a credit institution, which is a material subsidiary of a non-EU G-SII and which is not a resolution entity, it fails at all times to satisfy requirements for own funds and eligible liabilities in accordance with Article 92b, paragraph (1) Regulation (EU) No 575/2013, which is contrary to the provision of Article 92b paragraph (1) of Regulation (EU) No 575/2013;

13) if, as a credit institution, it fails to satisfy the own funds requirements laid down in Article 93 of Regulation (EU) No 575/2013, which is contrary to the provision of Article paragraph (93) of Regulation (EU) No 575/2013;

14) if, as a credit institution, it fails to meet the requirements for the trading book set out in Articles 102 to 106 of Regulation (EU) No 575/2013;

15) if, as a credit institution, it fails to meet the requirements for prudent valuation in accordance with the technical standard adopted by the European Commission pursuant to Article 105 of Regulation (EU) No 575/2013;

16) if, as a credit institution, it fails to notify the Croatian National Bank of exceeding the maximum permitted exposure limits, which is contrary to the provision of Article 396 of Regulation (EU) No 575/2013;

17) if, as a credit institution, it fails to deliver to the Croatian National Bank an acceptable and credible plan for timely return to compliance with the limits to large exposures or fails to exercise this plan within the time limit and in the manner envisaged by it, which is contrary to the provision of Article 396 of Regulation (EU) No 575/2013;

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

19) if, as a credit institution, it fails to act in accordance with the requirements set out in Part Five of Regulation (EU) No 575/2013 or requirements in relation to exposures to transferred credit risk referred to in the technical standard adopted by the European Commission pursuant to Article 410 of Regulation (EU) No 575/2013;

20) if they fail to notify the Croatian National Bank and submit to it a plan for the timely restoration of compliance, which is contrary to the provision of Article 414 of Regulation (EU) No 575/2013;

21) if, as a credit institution, it fails to report to the Croatian National Bank in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013, or fails to report to the Croatian National Bank in accordance with the reference dates laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013, or fails to report to the Croatian National Bank within time limits for submission of reports laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013, or fails to submit additional liquidity reports in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013;

22) if it fails to develop methodologies and processes to calculate and report the market value and haircuts for shares or units in investment funds in accordance with Article 418, paragraph (4) of Regulation (EU) No 575/2013, i.e. Article 15, paragraph (4) of Delegated Regulation (EU) 2015/61;

23) if, as a credit institution, subject to requirements for own funds and eligible liabilities in accordance with Article 92a, paragraph (1) of Regulation (EU) No 575/2013 or subject to requirements for own funds and eligible liabilities in accordance with Article 92b, paragraph (1) of Regulation (EU) No 575/2013 it fails to report to the competent authority on this requirement or if the if the information provided is inaccurate or incomplete, which is contrary to the provision of Article 430, paragraph (1) of Regulation (EU) No 575/2013;

24) if, as a credit institution, subject to requirements for own funds and eligible liabilities in accordance with Article 92a, paragraph (1) of Regulation (EU) No 575/2013 or subject to requirements for own funds and eligible liabilities in accordance with Article 92b, paragraph (1) of Regulation (EU) No 575/2013, it fails to disclose its own funds and eligible liabilities ratio and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, which is contrary to the provision of Article 447, item (h) of Regulation (EU) No 575/2013;

25) if they act contrary to the delegated act adopted by the European Commission pursuant to Articles 456, 457, 459 and 460 of Regulation (EU) No 575/2013;

26) if they act contrary to subordinate legislation that the Croatian National Bank adopted for the purpose of implementing and regulatory technical standards, for the purpose of compliance with the guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 or compliance with the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010.

(2) A legal person shall be fined in the amount of up to 10% of the total annual net turnover of the legal person for the breaches referred to in paragraph (1) of this Article, and if determined that profits were gained or losses avoided, the fine can amount up to twice the amount of the profits gained or losses avoided because of the breach, if those profits gained or losses avoided can be determined.

(3) A responsible person of a legal person shall be fined up to EUR 5 million for the breaches referred to in paragraph (1) of this Article.

(4) A natural person shall be fined up to EUR 5 million for the breaches referred to in paragraph (1), items (2), (4) and (5) of this Article.

(5) Periodic penalty payments can be imposed for the breaches referred to in paragraph (1) of this Article:

1) in case of a legal person, up to 5% of the average daily net turnover for each day of the ongoing breach;

2) in case of a natural person and a responsible person of a legal person, up to EUR 50,000.00 for each day of the ongoing breach.

(6) The following administrative measures can be imposed for the breaches referred to in paragraph (1) of this Article:

1) a public statement which identifies the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking and the type and description of the breach;

2) an order requiring from the perpetrator, a responsible credit institution, financial holding company, mixed financial holding company or intermediate parent undertaking or the responsible or natural person to cease the conduct and desist from repeating the breach;

3) a temporary suspension of voting rights of a holder of a qualifying holding or shareholder acting in concert, who committed the breach and

4) a temporary ban against the person who is held responsible to perform the function of a member of the management board, supervisory board, senior management, key function holder and other tasks of a staff member whose professional activities impact the risk profile of the credit institution, who committed the breach;

(7) A liquidator of a credit institution shall be fined up to EUR 5000.00:

1) if it fails to deliver to the Croatian National Bank the report on the progress of voluntary winding-up proceedings in the content and within the time limit provided for in the subordinate legislation adopted pursuant to the provisions of Article 297, paragraph (15) of this Act, which is contrary to the provision of Article 297, paragraph (13) of this Act;

2) if it acts contrary to subordinate legislation adopted pursuant to the provisions of Article 297, paragraph (15) of this Act;

CHAPTER II
PENALTY PROVISIONS

Powers of the Croatian National Bank as an authorised prosecutor

Article 381

The Croatian National Bank shall be the authorised prosecutor for the submission of a motion for indictment if it establishes breaches of the provisions of this Act.

Misdemeanours due to breaches of provisions on consumer protection

Article 382

(1) A G-SII or an O-SII shall be fined between EUR 5000.00 and up to 3% of total income for a misdemeanour:

1) if, as a purchaser that received the transfer of a claim arising from a credit contract or that became a creditor by the transfer of a credit contract from a third part, it fails to act in accordance with the provisions of Title XXIII of this Act, which is contrary to the provision of Article 307, paragraph (2) of this Act;

2) if, for each service offered to consumer, it fails to make available general service information or if the general service information made available is not clear and understandable or not in the Croatian language, or it fails to make the general service information available in an appropriate place in its business premisses in which it provides services to consumers or on its website, which is contrary to the provision of Article 308, paragraph (1) of this Act;

3) if, at the request of the consumer, it fails to provide the consumer general service information in writing and in a paper form or on another durable medium or if it charges the consumer a fee for providing information, which is contrary with the provisions of Article 308, paragraph (2) of this Act;

4) if it offers credit contracts that reference a benchmark as defined in Article 3, paragraph (1), item (3) of Regulation (EU) No 2016/1011 and it fails to include in its general service information the names of benchmarks and benchmark administrators and the potential implications of the changes in the benchmark for the consumer, which is contrary to Article 308, paragraph (3) of this Act;

5) if, while collecting information on loans, to the consumer that requests information on the amount of the loan the consumer could be granted by a credit institution or if, while collecting information on deposits, to the

consumer that requests information on the conditions for making deposits, the credit institution fails to provide in writing and in a paper form or on another durable medium with personal information needed to compare different offers in the market and to take a decision on whether to conclude a credit contract or a deposit contract, or fails to provide it free of charge, which is contrary to the provision of Article 309, paragraph (1) of this Act;

6) if the personalised information to be provided to the consumer by the credit institution do not include at least the information prescribed by the law governing consumer lending or other regulations governing the taking of deposits or granting of credits, which is contrary to the provision of Article 309, paragraph (2) of this Act;

7) if prior to concluding a credit or a deposit contract it fails to provide the consumer in writing and in a paper form or on another durable medium with personal information fully in line with the terms and conditions of the contract or fails to provide it free of charge, which is contrary to the provision of Article 310, paragraph (1) of this Act;

8) if prior to entering into a credit contract the credit institution it fails to provide personalised information free of charge, or fails to provide personalised information in writing and in a paper form or on another durable medium to all other participants in the credit relationship, for example co-debtors, pledgors and guarantors or it fails to warn them of the legal implications of being a co-debtor or guarantor, stressing the right of the credit institution to undertake collection of its claims under the credit contract from all participants in the credit relationship, which is contrary to the provision of Article 310, paragraph (2) of this Act;

9) if, at the request of the consumer, it fails to provide the consumer in writing and in a paper form or on another durable medium with the draft of the credit or deposit contract, or if it fails to provide the draft of the credit or deposit contract free of charge, which is contrary with the provisions of Article 310, paragraph (3) of this Act;

10) if it fails to notify the consumer for whom it assessed at the time of the submission of the request that it is unwilling to proceed to the conclusion of the legal arrangement without delay or in writing, which is contrary to the provision of Article 310, paragraph (3) of this Act;

11) if it fails to provide other participants in the credit relationship at request the draft of the credit contract in writing and in a paper form or on another durable medium or free of charge, which is contrary with the provisions of Article 310, paragraph (4) of this Act;

12) if, in addition to the draft of the credit or deposit contract, it fails to provide the consumer or provide the consumer free of charge with a copy or electronic version of the relevant articles from the applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution which constitute an integral part of the credit or deposit contract and may impact the financial position of the consumer and a short explanation of that impact, which is contrary to the provision of Article 310, paragraph (5) of this Act;

13) if it fails to conclude the credit or deposit contract with the consumer in writing and in a paper form or on another durable medium, or fails to conclude it in the Croatian language, or if it fails to deliver at least one copy to the consumer together with applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution that constitute an integral part of the credit or deposit contract, or if, in the case of concluding a credit contract, it fails to provide a copy of the contract to all other participants in the credit relationship (co-debtors, pledgors and guarantors), which is contrary to the provision of Article 310, paragraph (6) of this Act;

14) if in deposit and lending segment of its consumer operations related to credit or deposit contracts, as regards services indexed to foreign currency, it fails to apply the midpoint exchange rate for the respective currency against the euro applicable on the day of the transaction and published on the website of the Croatian National Bank on the Exchange rate list for clients of the Croatian National Bank, which is contrary to the provision of Article 310, paragraph (7) of this Act;

15) if it fails to make available its general operating conditions including information on the conditions for contracting loans and deposits to consumers in the Croatian language, or fails to make its general operating conditions available in an appropriate place in its business premises or on its website, which is contrary to the provision of Article 311, paragraph (1) of this Act;

16) if it fails to make available amendments to its general operating conditions in the manner referred to in Article 311, paragraph (1) of this Act or if it fails to make amendments to its general operating conditions available at least 15 days before their entry into force, which is contrary to the provision of Article 311, paragraph (3) of this Act;

17) if it fails to notify the consumers to which these general operating conditions apply of the intended amendments to the general operating conditions in the manner agreed upon at least 15 days before their entry into force, which is contrary to the provision of Article 311, paragraph (4) of this Act;

18) if it fails to provide the consumer with the notification of the intended amendments to the general operating conditions in a paper form or on another durable medium or if this notification is not provided in intelligible language, in a simple and comprehensive form or if it is not provided in the Croatian language, which is contrary to the provision of Article 311, paragraph (5) of this Act;

19) if the general operating conditions related to the granting of credits do not contain the data on interest rate types or methods and frequency of calculating interest, or the terms and conditions under which regular and default interest may be changed during the period of credit utilisation, i.e. repayment, or the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies, or fees and commissions (other than the declared nominal interest) charged by the credit institution to borrowers, including the explanation relating to the possible changes to these fees and commissions during the life of the credit contract with the consumer, or effective interest rates reflecting the total price of particular types of credit, or the possibilities and terms and conditions for offsetting credits against the deposits, or collateral instruments and other terms and conditions imposed by the credit institution laying special stress on the consequences of defaulting on contractual commitments, cancellation or termination of the contract and the order in which collateral is activated, or the right of the consumer to withdraw from the contract and the connected time limits provided or the terms and conditions for early repayment of the credit, or the types of costs that might be incurred following the cancellation of credit and/or activation of collateral and/or initiation of forced collection proceedings, which is contrary to the provision of Article 311, paragraph (6) of this Act;

20) if the general operating conditions related to the receiving of deposits do not contain the data on interest rate types or methods and frequency of calculating interest, or the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies, or the terms and conditions under which interest rates may be changed, or the lowest amount accepted in deposit, or fees for maintaining the accounts and other similar fees and commissions if they are charged by the credit institution to depositors, including the explanation relating to the possible changes to these fees during the life of the deposit contract, or effective interest rates reflecting the total return on deposit; or basic information on the deposit insurance scheme, or the possibilities as regards the repayment of a time deposit before its maturity date and the consequences thereof, or the treatment of deposits after the maturity date of the time deposit or the conditions for the management of the assets of minors, which is contrary to the provision of Article 311, paragraph (7) of this Act;

21) if it fails to notify consumers, on an annual basis at a minimum, of the balance of their credits or deposits, at the latest by 31 March of the current year for the previous year, or if it fails to notify them in an agreed upon manner or free of charge, which is contrary to the provision of Article 312, paragraph (1) of this Act;

22) if it fails to include in the notification of the balance of credits referred to in Article 312, paragraph (1) of this Act amounts due and payable by the consumer to the credit institution, or the information as regards the time limit in which the credit institution will send the first and the second collection letter or the warning of the right of the credit institution to cancel the credit, which is contrary to Article 312, paragraph (1) of this Act;

23) if it fails to send the notification of the balance of credits referred to in Article 312, paragraph (1) of this Act once a year to the addresses of the co-debtor and guarantor or fails to send it free of charge or at the latest by 31 March of the current year for the previous year, which is contrary to the provision of Article 312, paragraph (3) of this Act;

24) if it fails to send consumers notifications of the balance of their credits once a year free of charge or fails to send notifications of the balance of credits to the addresses of co-debtors and guarantors at the latest by 31 March of the current year for the previous year up to the moment of the initiation of forced collection proceedings pursuant to the respective credit contract, which is contrary to the provision of Article 312, paragraph (4) of this Act;

25) if in the notification of the balance of deposits referred to in Article 312, paragraph (1) of this Act it fails to specify the balance of a deposit and the amount of calculated and accrued interest pursuant to the respective deposit contract, which is contrary to the provision of Article 312, paragraph (5) of this Act;

26) if, where the consumer – a debtor under a credit contract and the credit institution fail to agree on the repayment scheme within the maximum of two months following the default on repayment, it fails to notify the co-debtor, pledgor or guarantor of the debt balance outstanding, or if it fails to provide the co-debtor, pledgor or guarantor with a period of 15 days of the date of the notification, sent via registered mail, to settle the obligation in money, which is contrary to Article 312, paragraph (6) of this Act;

27) if it charges the fee for cancelation of the credit contract, or if, at the moment of credit cancellation, it fails to notify, or fails to notify free of charge the consumer, the credit user, the co-debtor, pledgor or guarantor of the total amount and structure of debt broken down by the following items: principal, interest, charges and

fees and other costs, or the justification for the items for which collection is sought, specifying the items that can be increased and the interest rate at which they can be increased, which is contrary to the provision of Article 312, paragraph (7) of this Act;

28) if, in cases variable interest rates have been contracted, it fails to notify the consumer of variable interest rate changes, in an agreed upon manner at least 15 days before their application or if it fails to present and explain to the consumer in the same notification the changes of parameters that caused the change in interest rates or, in case of credit contracts, if it fails to provide the consumer with the amended loan amortisation schedule, which is contrary to the provision of Article 312, paragraph (8) of this Act;

29) if, where the interest rate in a credit contract changes upwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to the provision of Article 312, paragraph (9) of this Act;

30) if, where the interest rate in a deposit contract changes downwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to the provision of Article 312, paragraph (10) of this Act;

31) if, in cases of deposit contracts renewed automatically after the expiry of the maturity date, it fails to notify the consumer of the conditions under which the deposit contract will be renewed, or fails to do so at least 15 days before the application of the conditions under which the deposit contract will be renewed, which is contrary to the provision of Article 312, paragraph (11) of this Act;

32) if it charges the consumer, a credit user, who upon receipt of the notification of the increase in interest rates does not agree with the change and within three months of receipt of the notification repays the credit early, a fee or charges the agreed fee for early credit repayment, which is contrary to the provision of Article 312, paragraph (12) of this Act;

33) if it fails to make available to the consumer, at the consumer's request, free of charge and at any moment over the duration of the credit contract, a report in the form of the loan amortisation schedule and information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of changes in interest rates relating to the credit, which is contrary to the provision of Article 312, paragraph (13) of this Act;

34) if it fails to notify the consumer at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, of the loan repayment in full or if it fails to notify the consumer of the manner in which to obtain the statement of release and in the case of the rights of third persons who have repaid the loan in part or in full, if it fails to notify the consumer of the rights of such persons and further conditions to obtain the statement of release, or if it fails to notify the consumer of the manner in which to retrieve all other instruments of collateral of the repaid loan, or if it fails to notify in the same manner all participants in the credit relationship (guarantors, co-debtors, pledgors) who have repaid the loan in part or in full, which is contrary to the provision of Article 312, paragraph (14) of this Act;

35) if it offers to contract a variable interest rate and prior to concluding a deposit contract fails to warn the consumer of all risks associated with the variability of the interest rate or if in the deposit contract it fails to contract in a clear and unambiguous manner the parameters affecting the change in the contracted interest rate, which is contrary to the provision of Article 314, paragraph (1) of this Act;

36) if it fails to publish or update regularly in its business premises and on its website the parameters or benchmarks affecting the change in contracted interest in credit contracts, irrespective of the total amount and type of credit granted by the credit institution to the consumer or in relation to deposit contracts, which is contrary to the provision of Article 314, paragraph (2) of this Act;

37) if it fails to make archive records of the parameters or benchmarks that affect the change in interest rates in deposit contracts or credit contracts, which are not agreements on consumer housing loans, available on their website, which is contrary to the provision of Article 314, paragraph (3) of this Act;

38) if it concludes a short-term deposit or a short-term credit with a variable interest rate, which is contrary to the provision of Article 314, paragraph (4) of this Act;

39) if it contracts promotional interest rates offered upon the moment of sale for a specified time period upon the expiry of which the interest rate is adjusted to the market (currently applicable) interest rate level for services that are not short-term services, which is contrary to the provision of Article 314, paragraph (5) of this Act;

40) if during the life of the contract it charges the consumer a charge or a fee that was not specified in the Tariff of service fees at the time of the conclusion of the contract or was not expressed as an amount or as a percentage other than zero, which is contrary to the provision of Article 315, paragraph (1) of this Act;

41) if it fails to prepare or submit to the Croatian National Bank the internal methodology used to set the structure of fees and charges for all services it offers to consumers, which is contrary to the provision of Article 315, paragraph (2) of this Act;

42) if it fails to notify the Croatian National Bank of all amendments to the methodology referred to in Article 315, paragraph (2) at least 30 days prior to entry into force of these amendments, which is contrary to the provision of Article 315, paragraph (3) of this Act;

43) if it acts contrary to subordinate legislation adopted pursuant to the provisions of Article 315, paragraphs (4) or (5) of this Act;

44) if it fails to ensure that consumers, whose credit contract or claim arising from a credit contract has been transferred to the acquirer or a third person to which the acquirer has transferred the credit contract or claim arising from the credit contract is not put by the acquirer or that third party in a less favourable position with regard to consumer protection than the position they held as debtors to the credit institution, which is contrary to the provision of Article 316, paragraph (1) of this Act;

45) if it assigns a claim arising from a loan contract or transfers a loan contract to a creditor who pursuant to the law governing consumer credit and consumer housing loans is not authorised to grant credits, which is contrary to the provision of Article 316, paragraph (2) of this Act;

46) if, in case of a change of creditor in a credit contract, it fails to notify the debtor of the change of creditor or fails to, in addition to the notification, deliver to the debtor a report on the total debt balance as at the date of the change of creditor and the debt structure broken down by the following items: principal, interest, fees and charges and other costs, which is contrary to the provision of Article 316, paragraph (4) of this Act;

47) if it fails to submit within a specified time limit additional data, reports or and other bylaws required by the Croatian National Bank, which is contrary to the provision of Article 317, paragraph (3) of this Act;

48) if it fails to entrust at least one of the employees of the credit institution with the tasks of addressing consumer complaints with Article 317, paragraph (5) of this Act;

49) if it fails to appoint a person responsible for monitoring the process of consumer complaint management, which is contrary to the provision of Article 317, paragraph (7) of this Act;

50) if it fails to deliver to the Croatian National Bank information on market conduct in the scope, manner and within time limits specified in the subordinate legislation referred to in Article 322, item (4) of this Act, which is contrary to the provision of Article 317, paragraph (11) of this Act;

51) if it fails to keep contracts and other documents relating to the establishment of a business relationship between the credit institution and the consumer or contracts and other business documents and records relating to the establishment of a business relationship between the credit institution and the consumer, which is contrary to the provision of Article 318, paragraph (1) of this Act, or fails to keep documents for the duration of the business relationship and eleven years following the end of the year in which the business relationship was terminated, which is contrary to the provision of Article 318, paragraph (2) of this Act;

52) if court proceedings have been initiated in relation to the contractual relationship with the consumer and the credit institution fails to keep documents beyond the time limit referred to in Article 318, paragraph (2) of this Act, that is, until the completion of the court proceedings initiated in relation to the contractual relationship, which is contrary to the provision of Article 318, paragraph (3) of this Act;

53) if it fails to participate in conciliation proceedings or alternative dispute resolution proceedings initiated by the consumer, which is contrary to the provision of Article 319, paragraph (3) of this Act;

54) if it fails to allocate a portion of its income each year to finance activities aimed at strengthening the financial literacy of citizens of the Republic of Croatia, which is contrary to the provision of Article 321, paragraph (1) of this Act or if it fails to undertake all necessary activities for the purpose of complying with the guidelines of the Minister of Finance adopted in accordance with Article 321, paragraph (3) of this Act, which is contrary to the provision of Article 321, paragraph (2) of this Act;

55) if it acts contrary to subordinate legislation adopted pursuant to Article 322 of this Act.

(2) A responsible person of the management board or supervisory board of a G-SII or an O-SII shall be fined between EUR 500.00 and EUR 3000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(3) A credit institution which has its head office outside the Republic of Croatia and provides services within the territory of the Republic of Croatia through a branch shall be fined between EUR 2000.00 and up to 3% of total income if it fails to entrust at least one employee of its branch in the Republic of Croatia with the task of addressing complaints from consumers in the Republic of Croatia, which is contrary to the provision of Article 317, paragraph (6) of this Act.

(4) A responsible person of the credit institution's management board shall also be fined between EUR 500.00 and EUR 3000.00 for the misdemeanours referred to in paragraph (3) of this Article.

(5) A credit institution not identified as a G-SII or an O-SII shall be fined between EUR 2000.00 and up to 3% of total income for any of the misdemeanours referred to in paragraph (1) of this Article.

(6) A responsible person of the management board or supervisory board of a credit institution not identified as a G-SII or an O-SII shall be fined between EUR 100.00 and EUR 3000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(7) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined between EUR 100.00 and EUR 3000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(8) The Croatian National Bank shall deliver to the competent municipal court or another authority with jurisdiction *ratione materiae* a decision identifying whether the credit institution against which misdemeanour proceedings have been initiated is a G-SII or an O-SII, for the year in which the misdemeanour was committed.

Misdemeanours by audit firms and certified auditors

Article 383

(1) An audit firm shall be fined between EUR 10,000.00 and EUR 100,000.00 for a misdemeanour:

1) if it fails to deliver to the Croatian National Bank, by 30 June of the current year, an audit plan for the business year in question for each credit institution which has entrusted it with the statutory audit of annual financial statements and/or annual consolidated financial statements (hereinafter referred to as 'statutory audit'), or if the delivered audit plan does not indicate the areas of operation to be subject to statutory audits, the description of the content of statutory audits planned by individual area and the envisaged duration of statutory audits, or the quantitative level of materiality applied to carrying out audits and qualitative factors which were considered when setting the level of materiality, which is contrary to the provision of Article 219, paragraph (3) of this Act;

2) if, after the expiry of ten consecutive years during which an audit firm carried out the statutory audit of a credit institution, it carries out the statutory audit of the same credit institution in the next four years, which is contrary to the provision of Article 220, paragraph (2) of this Act;

3) if it carries out the statutory audit of a credit institution, and the audit is not carried out by at least two certified auditors employed with the audit firm, which is contrary to the provision of Article 220, paragraph (3) of this Act;

4) if in the event of the termination of a contract on the statutory audit, it fails, within the appropriate time limit, to deliver to the Croatian National Bank a written explanation of the reasons for the termination of the contract or where the contract was terminated by one contractual party explain the reasons for termination, or if, as the other contractual party, it failed to comment on the reasons for termination of the contract stipulated by the first party, which is contrary to the provision of Article 221, paragraph (1) of the Act;

5) if it carries out the statutory audit of a credit institution and it, directly or indirectly, provides to the audited credit institution, its parent undertaking or undertakings under its control in the Member States or third countries any prohibited non-audit services referred to in Article 5, paragraph (1) of Regulation (EU) No 537/2014 during the period between the beginning of the period audited and the issuing of the audit report referred to in item (1) of this paragraph, in relation to the services of designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems, which is contrary to the provision of Article 221, paragraph (2) of this Act;

6) if fails to notify the Croatian National Bank in writing and without delay of illegalities or facts and circumstances that could in any way jeopardise the ongoing functioning of the credit institution or of circumstances constituting the reasons for the withdrawal of authorisation referred to in Article 18, paragraph (1) of this Act, or of a material difference in the assessment of risks inherent in the credit institution's operation and the valuation of its on- and off-balance sheet items and profit and loss account items, or of material breaches of internal bylaws, or of major weaknesses in the organisation of internal control mechanisms or failures in the implementation of internal control mechanisms, or of facts that could result in a qualified opinion, an adverse opinion or a disclaimer of an opinion on the financial statements, which is contrary to the provision of Article 222, paragraph (1) of this Act;

7) if fails to notify the Croatian National Bank in writing and without delay if in the course of the audit of the annual financial statements of an undertaking controlled by the credit institution it becomes aware of the facts referred to in Article 222, paragraph (1) of this Act, which is contrary to the provision of Article 222, paragraph (2) of this Act;

8) if it fails, at the same time, to notify the credit institution's management board of the facts referred to in Article 222, paragraph (1) of this Act, except where it deems that there are reasonable grounds to prevent such

notification, which is contrary to the provision of Article 222, paragraph (4) of this Act, if for the purposes of the Croatian National Bank it fails to assess compliance with risk management rules or the operations of the risk control function, the compliance function and the internal audit function, or the state of digital operational resilience and the adequacy of ICT risk management, in accordance with Regulation (EU) 2022/2554, or the compliance of securitisations with the STS criteria provided for in Articles 19 to 22, Articles 23 to 26 or Article 26, item (a) to Article 26, item (e) of Regulation (EU) 2017/2402**,** the regularity, accuracy and completeness of the reports delivered to the Croatian National Bank, which is contrary to the provision of Article 224, paragraph (1) of this Act;

(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 5000.00 and EUR 13,000.00.

(3) A certified auditor shall be fined between EUR 1000.00 and EUR 10,000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(4) A certified auditor shall be fined between EUR 1000.00 and EUR 10,000.00 for a misdemeanour if the certified auditor fails to protect the confidentiality of all information relating to the supervision of credit institutions of which they become aware in the course of work on behalf of the Croatian National Bank, which is contrary to the provision of Article 161, paragraph (1) of this Act.

Misdemeanours related to supervision of the application of this Act

Article 384

(1) A credit institution shall be fined between EUR 10,000.00 and EUR 100,000.00 for a misdemeanour:

1) if it fails to enable the authorised persons of the Croatian National Bank to carry out an on-site inspection at the head office of the credit institution and in other localities in which the credit institution or another person with the authorisation of the credit institution carries out activities and operations subject to the supervision of the Croatian National Bank, which is contrary to the provision of Article 305, paragraph (1) of this Act;

2) if it fails to enable authorised persons, at their request, to carry out an examination of business books, business documentation, and administrative or business records as well as an examination of information and related technologies, to the extent necessary for an individual inspection, which is contrary to the provision of Article 305, paragraph (2) of this Act;

3) if it fails to deliver to authorised persons, at their request, computer print-outs, copies of business books, business documentation, and administrative or business records in a paper form or in the form of an electronic record in the medium and format required by the authorised persons, which is contrary to the provision of Article 305, paragraph (3) of this Act;

4) if it fails to provide authorised persons with a standard interface providing access to the system for database management used by the credit institution, for the purpose of carrying out an inspection supported by computer programmes, which is contrary to the provision of Article 305, paragraph (4) of this Act;

5) if it fails to implement supervisory measures imposed by a decision of the Croatian National Bank, which is contrary to the provision of Article 306, paragraph (6) of this Act;

(2) A responsible person of the legal person who committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 1000.00 and EUR 5000.00.

(3) A legal person shall be fined between EUR 10,000.00 and up to EUR 100,000.00 if it uses the words 'credit institution', 'bank', 'savings bank', 'housing savings bank', or derivatives of these words in its name or in legal transactions, which is contrary to the provision of Article 5, Article 330, paragraphs (3) and (4) and Article 336 of this Act.

(4) A responsible person of a legal person shall be fined between EUR 1000.00 and EUR 5000.00 for any of the misdemeanours referred to in paragraph (3) of this Article.

(5) A natural person shall be fined between EUR 1000.00 and EUR 5000.00 for the misdemeanour referred to in paragraph (3) of this Article.

Misdemeanours related to the obligation of banking secrecy

Article 385

(1) A fine can be imposed on a legal or a natural person and a responsible person of the legal person if one of the following misdemeanours is established:

1) if they fail to comply with the obligation of banking secrecy, which is contrary to the provision of Article 327, paragraph (1) of this Act;

2) if they fail to comply with the obligation of banking secrecy or breach the obligation of banking secrecy to third parties or use it against the interests of the credit institutions or its clients, or enable third partis to make use of it, which is contrary to the provision of Article 327, paragraph (1) of this Act;

3) if they breach the obligation of banking secrecy after the termination of their employment with the credit institution or after the termination of their status of shareholders or membership in the credit institution's bodies, as well as after the termination of their contract on the performance of activities for the credit institution, which is contrary to the provision of Article 327, paragraph (2) of this Act;

4) if, as a credit institution, when disclosing information collected pursuant to a consent, it fails to ensure that the information being disclosed is correct, complete and up to date, which is contrary to the provision of Article 328, paragraph (3) of this Act;

5) if, as a credit institution, when disclosing information collected pursuant to a consent it fails to provide the client access to the client's information that is being disclosed, or it fails to ensure that extent of the information thus disclosed is not larger than necessary for the purpose for which it is being exchanged, or it keeps the information received for a period longer than necessary for the purpose for which it is being disclosed, which is contrary to the provision of Article 328, paragraph (4) of this Act;

6) if they fail to use the confidential information they have received pursuant to Article 328, paragraph (1) of this Act exclusively for the purpose for which it has been given, or if they divulge it to third parties or enable third parties to acquire and make use of such information, which is contrary to the provision of Article 329, paragraph (1) of this Act.

(2) A credit institution shall be fined between EUR 10,000.00 and up to EUR 100,000.00 for a misdemeanour.

(3) A responsible person of the credit institution's management board shall be fined between EUR 1000.00 and EUR 5000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(4) A legal person shall be fined between EUR 10,000.00 and EUR 100,000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(5) A responsible person of a legal person shall be fined between EUR 1000.00 and EUR 5000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(6) A natural person shall be fined between EUR 1000.00 and EUR 5000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

TITLE XXXV
TRANSITIONAL AND FINAL PROVISIONS

Authorisations, approvals, contracts and decisions

Article 386

(1) Up to the date of entry into force of this Act the authorisations and approvals granted pursuant to the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024) shall be applied in the manner laid down in these authorisations and approvals, including the approval for the appointed supervisory board member who as at the date of entry into force of this Act shall perform the function of the chairperson of the supervisory board.

(2) A bank that is entered in the register of companies on the day of entry into force of this Act and authorised to provide banking and financial services shall within the time limit of one year of the entry into force of this Act adjust the subject of operations entered in the register of companies with the titles of services referred to in Articles 11 and 12 of this Act in the manner laid down in the Table in Annex I to this Act.

(3) The entry referred to in paragraph (2) of this Act shall be effected in the register of companies pursuant to the application of the bank.

(4) The validity of the entry in the register of companies shall be verified prior to the entry of the adjustment referred to in paragraph (2) of this Article in the register of companies by comparing the entered subject of operations with the Table in Annex I to this Act.

(5) The adjustment of the subject of operations entered in the register of companies with the Table in Annex I to this Act shall not be subject to prior authorisation of the Croatian National Bank.

(6) All authorisation and approval procedures initiated before the entry into force of this Act in accordance with the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024) shall be completed in accordance with the provisions of Titles III, V, VI, IX, X, XIX, XX, XXX and XXXI of this Act.

(7) All authorisation and approval procedures initiated before the entry into force of this Act in accordance with the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020,

146/2020, 151/2022 and 145/2024) shall be completed in accordance with the provisions of Titles XI, XIX, XXII, XXIII, XXX, XXXI and XXXII of this Act.

(8) The decisions adopted by the Croatian National Bank in procedures initiated *ex officio* shall apply in the manner and within the time limits laid down in these decisions until the entry into force of this Act.

(9) All procedures for imposing administrative sanctions and periodic penalty payments initiated before the entry into force of this Act in accordance with the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024) shall be completed in accordance with the provisions of Titles XXXIII and XXXV of this Act.

(10) A representative office of a credit institution established outside the Republic of Croatia which at the date of entry into force of this Act operates within the territory of the Republic of Croatia shall within the period of three months of the entry into force of this Act deliver to the Croatian National Bank a notification referred to in Article 86 of this Act.

(11) Credit institutions shall adjust their policies and procedures to the provisions of this Act by 30 June 2026.

(12) Credit institutions referred to in Article 53, paragraph (1) of this Act shall, for heads of internal control functions and the chief financial officer who perform these functions as at the date of entry into force of this Act, in accordance with the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024), submit to the Croatian National Bank their suitability assessment and other information and documentation referred to in Article 52 of this Act without delay at the time of the first assessment pursuant to this Act and at the latest one year after the entry into force of this Act.

Completion of bankruptcy proceedings, voluntary winding-up proceedings and misdemeanour proceedings

Article 387

(1) Bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force as at the date of the adoption of the decision on the opening of bankruptcy proceedings.

(2) Voluntary winding-up proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the act in force as at the date of the adoption of the decision on the dissolution of the undertaking.

Time limits for the adoption of subordinate legislation and adjustment of decisions

Article 388

(1) Within six months of the entry into force of this Act the Minister of Finance shall adopt the decision referred to in Article 321, paragraph (3) of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 20, paragraph (8), Article 44, paragraph (9), Article 48, paragraph (18), Article 52, paragraph (8), Article 56, paragraph (8), Article 73, paragraph (8), Article 77, paragraph (6), Article 79, paragraph (14), Article 83, paragraph (5), Article 97, paragraph (13), Article 159, paragraph (2), Article 179, paragraph (4), Article 187, paragraph (8), Article 192, paragraph (7), Article 197, paragraph (8), Article 217, paragraph (2), Article 223, paragraph (10), Article 224, paragraph (7), Article 292, paragraph (8). and Article 296, paragraph (9) of this Act within one year of the entry into force of this Act.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 32, paragraph (4), Article 36, paragraph (10), Article 87, paragraph (16), Article 88, paragraph (10), Article 112, paragraph (6), Article 180, paragraph (5), Article 182, paragraph (9), Article 200, paragraph (4), Article 212, paragraph (3), Article 218, paragraph (11), Article 235, paragraph (3), Article 238, paragraph (5), Article 250, paragraph (10), Article 256, paragraph (4), Article 258, paragraph (15), Article 266, paragraph (3), Article 297, paragraph (15), Article 300, paragraph (5), Article 302, paragraph (3), Article 315, paragraph (4) and Article 322 of this Act within two years of the entry into force of this Act.

(4) Up to the date of the entry into force of regulations adopted pursuant to this Act in accordance with paragraphs (2) and (3) of this Article the following subordinate legislation shall remain in force, in particular:

1) Decision on the documentation to be enclosed with the application for the authorisation of a credit institution and the application for the authorisation to provide financial services (Official Gazette 135/2023 and 107/2024);

2) Decision on the documentation to be enclosed with the application for authorisation and on the content and method of monitoring compliance of parent financial holding companies and parent mixed financial holding companies (Official Gazette 155/2022);

3) 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 20/2021 and 104/2022);

4) Decision on the approval to acquire a qualifying holding in a credit institution (Official Gazette 25/2018, 139/2022 and 171/2024);

5) Decision on the documentation to be enclosed with the application for permission to classify capital instruments as own funds instruments of credit institutions (Official Gazette 25/2018, 145/202o and 139/2022);

6) Decision on supervision fees for credit institutions (Official Gazette 122/2023);

7) Decision implementing the part of Regulation (EU) No 575/2013 pertaining to credit institutions' qualifying holdings outside the financial sector and limits on credit institutions' holdings of tangible assets (Official Gazette 22/2019 and 150/2024);

8) Decision on recovery plans of credit institutions (Official Gazette 110/2022 and 150/2024);

9) Decision on the method of exercising supervision of credit institutions and imposing supervisory measures (Official Gazette 87/2021, 145/2024 and 150/2024);

10) Decision on outsourcing (Official Gazette 118/2020, 139/2022 and 150/2024);

11) Decision on the refusal of annual financial statements of credit institutions and the content of an audit for the purposes of the Croatian National Bank (Official Gazette 22/2019, 139/2022 and 150/2024);

12) Decision on large exposures of credit institutions (Official Gazette 111/2018, 120/2018, 92/2020, 139/2022 and 107/2024);

13) Decision on governance arrangements (Official Gazette 96/2018, 67/2019, 145/2020, 145/2021, 51/2023, 28/2024 and 150/2024);

14) Decision on the classification of exposures into risk categories and the method of determining credit losses (Official Gazette 114/2017, 110/2018 and 139/2022);

15) Decision on the application of provisions of the Credit Institutions Act to credit institutions undergoing winding-up proceedings (Official Gazette 24/2018 and 139/2022);

16) Decision on staff remuneration (Official Gazette 31/2017, 57/2017, 146/2020, 4/2021, 145/2021 and 51/2023);

17) Decision specifying the conditions for group financial support (Official Gazette 67/2016);

18) Decision on supervisory reports of credit institutions (Official Gazette 146/2021, 108/2022, 27/2023, 76/2024 and 119/2025);

19) Decision on the internal capital adequacy assessment process for credit institutions (Official Gazette 20/2014 and 126/2017);

20) Decision on remuneration policies and practices related to the provision of banking products and/or services to consumers (Official Gazette 106/2018 and 146/2020);

21) Decision on the content of and the form in which consumers are provided information prior to contracting banking services (Official Gazette 107/2017 and 91/2022);

22) Decision on the effective interest rate (Official Gazette 105/2017 and 91/2022);

23) Decision on conducting oversight of credit institutions and credit intermediaries and imposing measures in the area of consumer protection (Official Gazette 65/2022);

24) Decision on the countercyclical buffer rate (Official Gazette 148/2022, 72/2023 and 149/2025);

25) Decision on capital buffers and capital conservation measures (Official Gazette 4/2021 and 100/2021);

26) Decision on the application of the structural systemic risk buffer (Official Gazette 144/2020);

27) Decision on the reciprocity of macroprudential policy measures adopted by relevant authorities of other European Union Member States and assessment of cross-border effects of macroprudential policy measures (Official Gazette 60/2017);

28) Decision on consumer lending criteria (Official Gazette 50/2025);

29) Decision on the obligation to make provisions for litigations conducted against a credit institution (Official Gazette 1/2009, 75/2009, 2/2010 and 139/2022);

30) Decision on statistical and supervisory reporting (Official Gazette 85/2018, 47/2019, 14/2020, 53/2020, 122/2020, 53/2021, 142/2021, 108/2022, 27/2023, 90/2023 and 4/2026);

(5) The subordinate legislation adopted pursuant to the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024) shall remain in force, in particular:

1) Decision on the countercyclical buffer rate (Official Gazette 148/2022, 72/2023 and 149/2025) shall remain in force until the beginning of the application of the countercyclical buffer rate set by the Croatian National Bank in accordance with Title XVIII, Chapter III of this year and published in the Official Gazette;

2) Decision on the application of the structural systemic risk buffer (Official Gazette 144/2020) shall remain in force until the beginning of the application of the systemic risk buffer rate set by the Croatian National Bank in accordance with Title XVIII, Chapter IV of this year and published in the Official Gazette.

Cessation of effect

Article 389

The Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020, 146/2020, 151/2022 and 145/2024), the Decision on representative offices of third-country credit institutions (Official Gazette 47/2014), the Decision on detailed conditions for the establishment, operation, reporting and dissolution of branches of third-country credit institutions in the Republic of Croatia (Official Gazette 81/2014, 4/2021, 19/2021 and 139/2022) and Decision on the sale of placements by credit institutions (Official Gazette 127/2014, 24/2018, 26/2021 and 139/2022) shall cease to have effect on the date of entry into force of this Act.

Entry into force

Article 390

This Act shall be published in the Official Gazette and shall enter into force on the eight day after the day of its publication, except for the provisions of Article 99, paragraph (2), Article 105, paragraph (1), item (20), Article 181, item (2) in the part concerning the management of concentration and Article 183, paragraph (1), item (5) and paragraph (2), item (5) of this Act which shall enter into force on 25 June 2026 and the provisions of Article 172, paragraphs (13) and (14) of this Act, which shall enter into force on 10 January 2030.

Class: 71-022-02/25-01-95
Zagreb, 20 February 2026

CROATIAN PARLIAMENT
The President of the Croatian Parliament
Gordan Jandroković, m.p.

Annex I

Titles of services entered in the register of companies	Titles of services referred to in Articles 11 and 12 of this Act
Banking and financial services	*Banking and financial services*
taking deposits or other repayable funds from the public and the granting of credits for own account from these funds	*– taking deposits or other repayable funds from the public and the granting of credits for own account* *– taking deposits or other repayable funds*
taking deposits or other repayable funds and the granting of credits for own account from these funds	
taking deposits or other repayable funds from the public and the granting of credits from these funds for the account of the bank;	
the bank carries out all depositary, lending and other banking services in the country and abroad in accordance with the Banking Act and general bylaws of the Bank, in particular * taking deposits or other repayable funds from the public and the granting of credits for own account from these funds	
taking deposits or other repayable funds	
taking of all types of deposits in domestic and foreign currency from sole traders and natural persons, including those natural	

persons whose business activity is registered in accordance with the Crafts Act	
taking of cash deposits	
taking of all types of deposits	
taking deposits or other repayable funds	
taking deposits or other repayable funds and the granting of credits for own account from these funds	
taking deposits or other repayable funds	
taking of all types of deposits in domestic and foreign currency from sole traders and natural persons, including those natural persons whose business activity is registered in accordance with the Crafts Act	
taking of monetary deposits	
taking of all types of deposits	
taking deposits or other repayable funds	
lending, including consumer credit, mortgage credit and, where permitted by a special law, financing of commercial transactions, including export financing based on the purchase at a discount without recourse of non-current, non-matured receivables collateralised with a financial instrument (*forfeiting*)	*lending including, inter alia, consumer credit and loans, credit/loan agreements relating to immovable property, mortgage credit and loans, factoring with or without recourse, financing of commercial transactions, including export financing based on the purchase at a discount without recourse of non-current, non-matured receivables collateralised with a financial instrument (forfeiting);*
lending to persons referred in item (1), small and medium-sized entrepreneurs and other banks	
repurchase of receivables with or without recourse (*factoring*);	
granting of credits and other placements for own account from these funds	
lending, including, consumer credit, mortgage credit and financing of commercial transactions (including forfeiting)	
factoring	
granting of all types of loans, opening of documentary letters of credit, issuing guarantees and bank guarantees and taking on other financial commitments	
financial leasing and factoring services	
lending and payment services abroad	
financial leasing	*financial leasing*
financial leasing and factoring services	
payment services in accordance with special laws	*payment services in accordance with special regulations governing the payment system;*
payment services in the country and abroad in accordance with special laws	
conducting payment system services in the country and abroad	

conducting payment system services in the country and abroad in accordance with special laws	
lending and payment services abroad	
payment services, in particular: * 1) services enabling cash to be placed on a payment account and all the operations required for operating a payment account * 2) services enabling cash withdrawals from a payment account and all the operations required for operating a payment account * 3) execution of payment transaction services, including transfer of funds to the payment account with the user's payment services provider or other payment services provider: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means, * – execution of credit transfers, including standing orders * 4) execution of payment transactions where funds are covered by a credit line for the payment services user: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means, * – execution of credit transfers, including standing orders * 5) services of issuing and/or acquiring of payment instruments * 6) money remittance services	
payment services, in particular: * services enabling cash to be placed on a payment account and all the operations required for operating a payment account * services enabling cash withdrawals from a payment account and all the operations required for operating a payment account * execution of payment transactions, including transfer of funds on a payment account with the user's payment services provider or another payment services provider: * execution of direct debits, including one-off direct debits, * execution of payment transactions through a payment card or a similar device * execution of credit transfers, including standing orders * services of issuing and/or acquiring of payment instruments * money remittance services	
provision of payment services to the persons referred to in item (1)	
conducting payment system services in the country	
* payment transaction services, including transfer of funds to the payment account with the user's payment services provider or other payment services provider: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means, * – execution of credit transfers, including standing orders * execution of payment transactions where funds are covered by a credit line for the payment services user: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means,	

* – execution of credit transfers, including standing orders * services of issuing and/or accepting payment instruments	
services of issuing and/or accepting payment instruments	
account information services	
payment services in accordance with special laws: * services enabling cash deposits to a payment account as well as all the operations required for operating a payment account * services enabling cash withdrawals from a payment account as well as all the operations required for operating a payment account * payment transaction services, including transfer of funds to the payment account with the user's payment services provider or other payment services provider: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means, * – execution of credit transfers, including standing orders * execution of payment transactions where funds are covered by a credit line for the payment services user: * – execution of direct debits, including one-off direct debits, * – execution of payment transaction via payment cards or similar means, * – execution of credit transfers, including standing orders * services of issuing and/or accepting payment instruments * money remittance services * issuing electronic money * payment initiation services * account information services	
payment initiation services	
* execution of payment transactions where funds are covered by a credit line for the payment services user: * execution of direct debits, including one-off direct debits, * execution of payment transaction via payment cards or similar means * execution of credit transfers, including standing orders * payment initiation services * account information services	
issuing and administering other means of payment, if the provision of such services is not considered the provision of services pursuant to a special law	*issuing of other means of payment and their management, such as traveller's cheques and bank drafts, where the provision of such services is not deemed the provision of a payment service under special regulations governing the payment system*
issuing and administering other means of payment, if the provision of such services is not considered the provision of payment services in the country and abroad	
issuing and administering means of payment and financial intermediation	
issuing and administering means of payment	
issuing and administering other means of payment, insofar as the provision of such services is not considered the provision of	

services within the meaning of Article 5, paragraph (7) of the Credit Institutions Act in accordance with a special law	
issuance of guarantees or other commitments;	*issuance of guarantees and other commitments;*
granting of all types of loans, opening of documentary letters of credit, issuing guarantees and bank guarantees and taking on other financial commitments	
trading for own account or for account of customers in: money market instruments, transferable securities, foreign exchange, including currency exchange transactions, financial futures and options, exchange and interest-rate instruments;	*trading for own account in:* *– money market instruments (e.g. cheques, bills of exchange, certificates of deposit);* *– foreign exchange including currency exchange transactions;* *– financial futures and options;* *– exchange and interest-rate instruments;* *– transferable securities;*
trading for own account	
trading for own account or for account of customers in: money market instruments (including among others cheques, bank drafts and certificates of deposits) securities of the Republic of Croatia or the Croatian National Bank	
trading in own name and for own account or for account of customers in: money market instruments and other transferable securities, foreign exchange, including currency exchange transactions, financial futures and options, exchange and interest-rate instruments	
* transactions with bills, cheques and certificates of deposit for own account and for account of customers * lending, sale and purchase for own account or for account of customers of financial derivatives (futures, options, etc.) * transactions with securities for own account and for the account of other persons	
* transactions in foreign means of payments in the country (currency exchange transactions)	
trading on own account or for account of customers in: – money market instruments, – transferable securities, foreign exchange, including currency exchange transactions	
trading for own name and for own account or account of customers in: *– money market instruments and other transferable securities *– foreign exchange including currency exchange transactions; *– financial futures and options; *– exchange and interest-rate instruments;	
trading for the account of customers in: – money market instruments, – transferable securities, foreign exchange including currency exchange transactions, – financial futures and options, – exchange and interest-rate instruments	*trading for account of customers in:* *– money market instruments (e.g. cheques, bills of exchange, certificates of deposit);* *– foreign exchange, including currency exchange transactions;* *– financial futures and options;* *– exchange and interest-rate instruments;* *– transferable securities;*
trading for own account or account of customers in: – money market instruments, – transferable securities, foreign exchange including currency exchange transactions, – financial futures and options, – exchange and interest-rate instruments	

trading for own account or for account of customers in *– money market instruments; *– transferable securities; *– foreign exchange, including currency exchange transactions; *– financial futures and options; *– exchange and interest-rate instruments;	
* transactions with bills, cheques and certificates of deposit for own account and for account of clients * lending, sale and purchase for own account or for account of clients of financial derivatives (futures, options, etc.) * transactions with securities for own account and for the account of other persons	
trading for own account or for account of customers in: money market instruments (including among others cheques, bank drafts and certificates of deposits) securities of the Republic of Croatia or the Croatian National Bank	
Trading for own name and for own account or in the name and for account of a customer: money market instruments and other transferable securities, foreign exchange, including currency exchange transactions, financial futures and options, exchange and interest-rate instruments	
trading for own account or for account of customers in: – money market instruments, – transferable securities, foreign exchange, including currency exchange transactions	
participation in issues of financial instruments as well as the provision of services relating to issues of financial instruments in accordance with the law governing the capital market – placing of financial instruments on a firm commitment basis, – placing of financial instruments without a firm commitment basis	*participation in securities issues and the provision of services related to such issues*
participation in issues of financial instruments as well as the provision of services relating to issues of financial instruments in accordance with the law governing the capital market;	
underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis and placing of financial instruments without a firm commitment basis	
advice to legal persons on capital structure, business strategy and related issues as well as the provision of services relating to mergers and the acquisition of shares and holdings in other companies	
advice on capital structure, industrial strategy and related questions and advice, as well as services relating to mergers and the acquisition of holdings in undertakings, – foreign exchange services where these are connected to the provision of investment services, – investment research and financial analysis, as well as other recommendations relating to transactions in financial instruments, – services related to the service of placing of financial instruments on a firm commitment basis, – investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph (1), item (2), sub-item (d), indents (2), (3), (4) and (7) of the Capital Market act when these investment services and activities related to investment services or ancillary services,	*advice to legal persons on capital structure, business strategy and related issues as well as the provision of advice and services relating to business mergers and acquisitions and purchases of legal persons;*

advice to legal persons on capital structure, business strategy and related issues as well as the provision of services relating to mergers and the acquisition of shares and holdings in other companies	
advice on capital structure, industrial strategy and related questions and advice, as well as services relating to mergers and the acquisition of holdings in undertakings	
money broking	*money broking*
money intermediation	
financial intermediation	
portfolio management and advice	*portfolio management and advice*
safekeeping of financial instruments and services related to the safekeeping of financial instruments in accordance with the law governing the capital market	*safekeeping and administration of securities*
credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;	*credit reference services*
collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;	
providing information on client creditworthiness at their request	
safe custody services	*safe custody services*
issuing electronic money	*issuing electronic money, including e-money tokens*
issuance of means of payment in the form of electronic money	
	issuance of asset-referenced tokens;
-	*crypto-asset services*
investment and ancillary services and activities prescribed in the special law governing the capital market and not included in services referred to in items (1) to (16) of paragraph (1) Article (5) of the Credit Institutions Act, in particular: reception and transmission of orders in relation to one or more financial instruments	*The credit institution shall register those investment and ancillary services and activities prescribed in the law governing the capital market, which the credit institution has specified in the authorisation to provide services;*
investment and ancillary services and activities prescribed in the special law governing the capital market and not included in services referred to in items (1) to (15) of paragraph (1) Article (5) of the Credit Institutions Act, in particular – reception and transmission of orders in relation to one or more financial instruments, – execution of orders on behalf of clients, – trading for own account, – portfolio management, – investment advice, – storing and administering financial instruments for the account of clients, including custody services and thus related services, such as for example managing funds or insurance instruments, – granting credits or loans to investors to enable them to conclude transactions with one or more financial instruments if the transaction includes the undertaking granting the loan or credit, – advice on capital structure, industrial strategy and related questions and advice, as well as services relating to mergers and the acquisition of holdings in undertakings, – foreign exchange	

services where these are connected to the provision of investment services, – investment research and financial analysis, as well as other recommendations relating to transactions in financial instruments, – services related to the service of placing of financial instruments on a firm commitment basis, – investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph (1), item (2), sub-item (d), indents (2), (3), (4) and (7) of the Capital Market act when these investment services and activities related to investment services or ancillary services	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: * reception and transmission of orders in relation to one or more financial instruments * safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management * granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction * trading for own account	
* reception and transmission of orders which relate to one or more financial instruments * placing of financial instruments without a firm commitment basis * safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management * granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction * foreign exchange services where these are connected to the provision of investment services	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: * – trading for own account *– placing of financial instruments on a firm commitment basis * – placing of financial instruments without a firm commitment basis * – safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management * – advice on capital structure, industrial strategy and related questions and advice, as well as services relating to mergers and the acquisition of holdings in undertakings * – services related to the service of placing of financial instruments on a firm commitment basis * – investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph (1), item (2), sub-item (d), indents (2), (3), (4) and (7) of the Capital Market act when these investment services and activities related to investment services or ancillary services	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: –	

reception and transmission of orders in relation to one or more financial instruments, – execution of orders on behalf of clients, – trading for own account, – portfolio management, – investment advice, – placing of financial instruments on a firm commitment basis, – placing of financial instruments without a firm commitment basis, – safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management, – granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: * – reception and transmission of orders in relation to one or more financial instruments referred to in Article 5, paragraph (1), item (1) of the Capital Market Act	
performance of investment services and activities and thus related ancillary services laid down in a special law governing the capital market, in particular: trading for own account	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: reception and transmission of orders in relation to one or more financial instruments, execution of orders on behalf of clients, trading for own account, safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management,	
investment advice	
placing of financial instruments on a firm commitment basis	
placing of financial instruments without a firm commitment basis	
investment and ancillary services and activities laid down in the special law governing the capital market, in particular: * – reception and transmission of orders in relation to one or more financial instruments *– execution of orders on behalf of clients * – trading for own account *– portfolio management *– investment advice *– placing of financial instruments on a firm commitment basis * – placing of financial instruments without a firm commitment basis * – safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management * – granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction * – advice on capital structure, industrial strategy and related questions and advice, as well as services relating to mergers and the acquisition of holdings in undertakings * – foreign exchange services where these are connected to the provision of investment services * – investment research and financial analysis or other forms of general recommendation relating to	

transactions in financial instruments * – services related to the service of placing of financial instruments with a firm commitment basis * – investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph (1), item (2), sub-item (d), indents (2), (3), (4) and (7) of the Capital Market Act when these investment services and activities are related to investment services or ancillary services	
investment and ancillary services and activities laid down in the special law governing the capital market, which are not in the previously listed basic financial services, in particular: – reception and transmission of orders in relation to one or more financial instruments, – trading for own account, – placing of financial instruments on a firm commitment basis, – placing of financial instruments without a firm commitment basis, – safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management, – granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction, –foreign exchange services where these are connected to the provision of investment services, – investment research and financial analysis, as well as * other forms of general recommendation relating to transactions in financial instruments, – services related to the service of placing of financial instruments on a firm commitment basis, – investment services and activities and ancillary services related to the underlying assets of derivatives	
reception and transmission of orders in relation to one or more financial instruments * execution of orders on behalf of clients * trading for own account * investment advice * placing of financial instruments on a firm commitment basis * placing of financial instruments without a firm commitment basis * safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
foreign exchange services where these are connected to the provision of investment services	
investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments	
investment and ancillary services and activities prescribed in the special law governing the capital market and not included in services referred to in items (1) to (16) of paragraph (1) Article (5) of the Credit Institutions Act, in particular: reception and transmission of orders in relation to one or more financial instruments * execution of orders on behalf of clients;	

* trading for own account * investment advice * placing of financial instruments on a firm commitment basis * placing of financial instruments without a firm commitment basis * safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management * granting credits or loans to an investor to allow him/her/it to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
* foreign exchange services where these are connected to the provision of investment services * investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments * services related to the service of placing of financial instruments on a firm commitment basis * investment services and activities and ancillary services related to the underlying assets of derivatives referred to in Article 3, paragraph (1), item (2), sub-item (d), indents (2), (3), (4) and (7) of the Capital Market act when these investment services and activities related to investment services or ancillary services,	
Additional financial services:	*Additional financial services:*
activities related to the sale of insurance policies in accordance with the law governing insurance	*activities related to distribution of insurance in accordance with the regulations governing insurance;*
representation in the sale of insurance policies, in accordance with the law governing insurance, insurance intermediation and representation	
insurance representation	
Provision of financial services of insurance representation, in accordance with the law governing insurance, in the part relating to the performance of insurance representation activities for banks	
activities related to distribution of insurance in accordance with the regulations governing insurance;	
activities of insurance representation, in accordance with the law governing insurance, in the part relating to the performance of insurance representation activities for banks	
Activities related to the sale of insurance policies in accordance with the law governing insurance	
raising funds by issuing securities and by other means prescribed or laid down by the Croatian National Bank	*Since the aforementioned service is unspecified, credit institutions may not enter it in the register of companies and, if entered, it should be deleted.*
provision of other financial services as prescribed or laid down by the Croatian National Bank	