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**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 – unofficial consolidated
version)**

Zagreb, March 2023

CROATIAN NATIONAL BANK

EUROSYSTEM

Decision on detailed conditions for the establishment, operation, reporting and dissolution of branches of third-country credit institutions in the Republic of Croatia

General provisions

Article 1

(1) This Decision governs in detail the conditions for the establishment, operation, reporting to the Croatian National Bank and dissolution of a branch of a third-country credit institution in the Republic of Croatia (hereinafter referred to as 'branch'), and the manner of application of the provisions of Article 92, paragraph (1) of the Credit Institutions Act to the branch.

(2) This Decision transposes into the Croatian legislation 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 150/2019) and 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).

Under Article 1 of the Decision on amendments to 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 4/2021), which entered into force on 23 January 2021, paragraph (2) has been added.

Paragraph (2) has been corrected by the correction to the Decision on amendments to 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 19/2021), which entered into force on 24 February 2021.

Establishment of a branch

Article 2

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

(2) Prior to adopting a decision on an application for authorisation to establish a branch, the Croatian National Bank shall take all actions necessary to conclude a cooperation agreement regarding supervision with the competent authority from the third country in which the third-country credit institution (founder) has its head office.

Directing the business and representation of a branch

Article 3

(1) A third-country credit institution (founder) shall appoint at least two persons to direct the business of the branch and to represent the branch (hereinafter referred to as 'branch

management'). One of the members of the branch management shall be appointed as manager. The branch management shall direct the branch's business on its own responsibility.

(2) The branch management shall direct the business of the branch from the territory of the Republic of Croatia.

(3) A third-country credit institution (founder) may authorise a procurator to represent the branch, conclude contracts and perform legal acts in the name and for the account of the branch, which arise from the services for which the branch obtained authorisation from the Croatian National Bank, but the procurator may only do so jointly with at least one member of the branch management.

(4) At least one member of the branch management shall be fluent in speaking and writing Croatian to be able to perform this function. At least one member of the branch management shall have his/her domicile or normal place of residence in the Republic of Croatia.

(5) Members of the branch management shall direct the business of the branch on a full-time basis and shall be employed with the third-country credit institution (founder).

Branch management **Article 4**

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of a member of the branch management may be appointed as member of the branch management.

(2) An application for prior approval referred to in paragraph (1) of this Article shall be submitted by the third-country credit institution (founder).

(3) Where the third-country credit institution (founder) wishes to reappoint a person who has already obtained approval to perform the function of a member of the management, that person shall once again undergo the procedure laid down by the Credit Institutions Act and regulations adopted thereunder.

(4) Members of the branch management shall meet all the requirements for members of a credit institution's management board laid down by the Credit Institutions Act and regulations adopted thereunder.

(5) The provisions of the Credit Institutions Act and regulations adopted thereunder, relating to the granting of prior approval for a member of a credit institution's management board shall apply mutatis mutandis to the members of the branch management. The provisions of the Credit Institutions Act relating to the granting of approval for the chairperson of a credit institution's management board shall apply mutatis mutandis to the manager of the branch.

(6) The branch management shall be appointed for a period not exceeding five years, but the third-country credit institution (founder) may remove from office a member of the branch management before the expiry of the specified period.

(7) The third-country credit institution (founder) shall submit the application for prior approval referred to in paragraph (2) of this Article at least three months before the expiry of the term of office of an individual member of the management.

(8) In the cases where seats on the branch management are vacated or where members of the branch management are incapable of performing their functions, the third country credit institution (founder) may appoint an interim member of the branch management for a period not longer than three months without the approval of the Croatian National Bank, notifying the Croatian National Bank thereof without delay.

Notification to the founder and the Croatian National Bank

Article 5

(1) The branch management shall, without delay and in writing, notify the management board of the third-country credit institution (founder) and the Croatian National Bank where:

- 1) reasons arise for expiry or revocation of authorisation to establish a branch or for revocation of authorisation to provide a particular financial service;
- 2) the financial position of the branch 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 below the level imposed by a measure under Article 228 of the Credit Institutions Act; or
- 3) the branch exceeds the limit on exposures to a single person or a group of connected persons due to the reduction in its own funds or increases its exposures in accordance with Articles 396 and 397 of Regulation (EU) No 575/2013 as a result of circumstances beyond its control.

(2) A member of the branch management shall notify the management board of the third-country credit institution (founder) without delay of:

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

(3) The branch management shall, without delay and in writing, notify the management board of the third-country credit institution (founder) of any measures imposed by the Croatian National Bank and other supervisory authorities within the scope of supervision or oversight of the branch.

Capital of a branch

Article 6

(1) The third-country credit institution (founder) shall provide funds for the establishment of a branch to a minimum amount of EUR 5 million.

(2) The funds referred to in paragraph (1) of this Article shall be the own funds of the branch for the purposes of implementation of the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit

institutions and investment firms and amending Regulation (EU) No 648/2012, other regulations of the European Union, where applicable, and the Credit Institutions Act and other regulations adopted thereunder.

(3) The third-country credit institution (founder) shall notify the Croatian National Bank in advance of any intended decrease in own funds, provided that the own funds in no case fall below EUR 5 million.

Under Article 1, paragraph (1) of the Decision on amendments to 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 139/2022), which enters into force on 1 January 2023, the words "HRK 40 million" have been replaced by the words "EUR 5 million" in the entire article.

Under Article 1, paragraph (2) of the Decision on amendments to 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 139/2022), which enters into force on 1 January 2023, in paragraph (2), the words "shall be considered own funds" have been replaced by the words "shall be the own funds".

Business books and financial statements

Article 7

(1) A branch shall keep business books, other business documentation and records, evaluate assets and liabilities and prepare, check and store bookkeeping documents in accordance with regulations applicable in the Republic of Croatia and professional standards.

(2) The branch shall, no later than three months after the end of the business year, submit a written notification to the Croatian National Bank with information on the following:

- 1) the total assets corresponding to the activities of the branch in the Republic of Croatia;
- 2) the liquid assets available to the branch, in particular the availability of liquid assets in euro;
- 3) the own funds that are at the disposal of the branch;
- 4) the deposit protection arrangements available to depositors in the branch;
- 5) the risk management arrangements
- 6) the governance arrangements, including key function holders for the activities of the branch; and
- 7) the recovery plans covering the branch.

(3) Upon request of the Croatian National Bank, the branch shall deliver reports and information on all matters considered by the Croatian National Bank necessary to enable comprehensive monitoring of the activities of the branch and exercising supervision or oversight as well as to perform other tasks within its competence.

(4) A branch shall prepare and publish annual financial statements and annual reports relating to its business in the Croatian language, in accordance with regulations applicable in the

Republic of Croatia and professional standards. A branch shall deliver its annual report to the Croatian National Bank at the latest within four months following the end of the business year to which it relates.

(5) By way of derogation from paragraph (2) of this Article, a branch may prepare annual financial statements and annual reports relating to its business in accordance with the regulations applicable in the country where the third-country credit institution (founder) has its head office, provided they do not deviate significantly from the regulations applicable in the Republic of Croatia.

Under Article 2 of the Decision on amendments to 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 4/2021), which came into effect on 23 January 2021, new paragraphs (2) and (3) have been added and the former paragraphs (2) and (3) have become paragraphs (4) and (5).

Under Article 2 of the Decision on amendments to 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 139/2022), which enters into force on 1 January 2023, in paragraph (2), item (2), the word "kuna" has been replaced by the word "euro".

Supervision of branches and supervisory measures

Article 8

(1) The Croatian National Bank shall exercise supervision of a branch in accordance with the provisions of the Credit Institutions Act, regulations adopted thereunder, other regulations and agreements concluded with the competent authority of the third country in which the third-country credit institution (founder) has its head office.

(2) Where illegalities or irregularities have been identified in the course of the supervision of a branch's operation, the Croatian National Bank shall impose supervisory measures in accordance with the Credit Institutions Act.

(3) The Croatian National Bank shall notify the founder and the authority competent for the supervision of the founder's operation of the findings and measures referred to in paragraph (2) of this Article.

(4) The third-country credit institution (founder) shall notify the Croatian National Bank without delay if the competent authority has taken measures against the third country credit institution (founder) or any of its branches to eliminate illegalities and irregularities which could influence the operation of the branch in the Republic of Croatia.

Dissolution and reorganisation of branches

Article 9

(1) The provisions of the Credit Institutions Act and regulations adopted thereunder relating to the voluntary winding-up of credit institutions shall apply mutatis mutandis to branches.

(2) The provisions of the regulation governing the compulsory winding-up of credit institutions shall apply mutatis mutandis to branches.

(3) The branch management shall, within fifteen days following the day on which any of the reasons arose for the expiry of authorisation to establish a branch in accordance with Article 91, paragraph (1) of the Credit institutions Act or following the day on which the Croatian National Bank revoked authorisation to establish a branch, at the expense of the branch, publish a decision on the dissolution of the branch in the Official Gazette and at least two daily newspapers published in the Republic of Croatia and shall invite creditors to lodge their claims.

(4) Where the management of a branch fails to publish the decision on the dissolution of the branch in the manner and within the time limits referred to in paragraph (2) of this Article, the decision on the dissolution of the branch and the invitation to the creditors shall be published by the Croatian National Bank within eight days following the expiry of the period referred to in paragraph (3) of this Article.

(5) The notification of the dissolution of a branch shall be displayed conspicuously at the entrance to the premises of the head office and on other business premises of the branch.

Under Article 3 of the Decision on amendments to 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 4/2021), which entered into force on 23 January 2021, in paragraph (1), the words "the dissolution and reorganisation" are replaced by the words "the voluntary winding-up of credit institutions" and after paragraph (1), new paragraph (2) is added, and the former paragraphs (2), (3) and (4) have become paragraphs (3), (4) and (5).

Transitional and final provisions

Article 10

1) This Decision shall enter into force on the eight day after the day of its publication in the Official Gazette.

2) As of the day of entering into force of this Decision, the Decision Concerning the Terms and Conditions for Establishment and Operation of Branch of Foreign Bank in the Republic of Croatia (Official Gazette 61/2004) shall cease to have effect. 1/2009).

***Decision on amendments to 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 4/2021)

Article 4

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

***Decision on amendments to 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 139/2022)

Article 3

This Decision shall be published in the Official Gazette and enter into force on the day the euro is introduced as the official currency in the Republic of Croatia.