

Pursuant to Article 8, paragraph (20) of the Act on the Resolution of Credit Institutions and Investment Firms (Official Gazette 19/2015) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

Decision on the conditions and manner of implementing activities and the manner of imposing measures to exercise resolution powers

I GENERAL PROVISIONS

Article 1

(1) This Decision specifies:

- 1) the conditions and manner of implementing activities referred to in Article 8, paragraph (16) of the Act on the Resolution of Credit Institutions and Investment Firms (hereinafter referred to as 'the Act');
- 2) the procedure for imposing measures referred to in Articles 21 and 25 of the Act;
- 3) the obligations of the credit institution in the course and following the implementation of activities referred to in items (1) and (2) of this paragraph in accordance with Article 8, paragraph (19) of the Act.

(2) The provisions of this Decision shall apply when the Croatian National Bank is exercising its powers as the resolution authority over a credit institution that has its head office in the Republic of Croatia and is authorised by the Croatian National Bank.

(3) The provisions of this Decision shall also apply *mutatis mutandis* when the Croatian National Bank is exercising its powers as the resolution authority over a branch of a credit institution that has its head office in a third country and has obtained authorisation to establish a branch of a third-country credit institution from the Croatian National Bank.

(4) The provisions of this Decision shall not apply to the procedure for reaching a joint decision referred to in Articles 19, 20, 22, 23, 26 and 27 of the Act.

(5) The provisions of this Decision shall not apply to a credit institution against which resolution proceedings have been opened in the course of these proceedings.

Article 2

The Croatian National Bank, as the resolution authority, shall exercise its powers over credit institutions in accordance with the Act, regulations adopted under the Act and 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, 12.6.2013, hereinafter referred to as 'Directive 2014/59/EU'), other laws governing the provision of banking and financial services by credit institutions and regulations adopted under these laws, as well as other regulations of the European Union governing the operation of credit institutions, own rules, professional standards and rules, cooperation agreements concluded with resolution authorities in the EU or the competent authority of a third country.

II SUPERVISION FOR THE RESOLUTION PLANNING PURPOSES

Article 3

(1) The Croatian National Bank, as the resolution authority, shall be authorised to supervise a credit institution or a group of credit institutions in order to exercise the powers referred to in Title III and Title V of the Act (hereinafter referred to as 'the supervision for the resolution planning purposes').

(2) The supervision for the resolution planning purposes shall encompass:

- 1) the supervision through collecting and analysing reports and information; and
- 2) the supervision on the premises of a credit institution (hereinafter referred to as 'the on-site supervision for the resolution planning purposes').

(3) The reports and information referred to in paragraph (2), item (1) of this Article include the prescribed reports delivered by a credit institution to the Croatian National Bank, as the resolution authority, in accordance with the decision on the reporting for the resolution planning purposes, which is to be adopted by the Croatian National Bank, the correspondence with the credit institution, information, reports and statements delivered by the credit institution at the request of the Croatian National Bank, and other available information, reports and notifications relating to the credit institution.

(4) In order to implement the supervision for the resolution planning purposes, the Croatian National Bank, as the resolution authority, may organise meetings with the management board and/or senior management, internal and external auditors as well as, where appropriate, with the supervisory board of a credit institution.

III ON-SITE SUPERVISION FOR THE RESOLUTION PLANNING PURPOSES

Article 4

(1) The Croatian National Bank, as the resolution authority, shall be authorised to carry out an on-site supervision for the resolution planning purposes in the following cases:

- 1) where this is necessary in order to verify whether a credit institution is carrying out activities to remove impediments to the implementation of bankruptcy proceedings or to the resolvability as referred to in Article 21 of the Act;
- 2) in order to determine and verify whether a credit institution meets the minimum requirement for own funds and eligible liabilities referred to in Article 25 of the Act;
- 3) in order to verify the completeness and accuracy of the reports and information delivered in accordance with the decision on the reporting for the resolution planning purposes, which is to be adopted by the Croatian National Bank; or
- 4) in other cases, where this is necessary for the exercise of resolution powers.

(2) An on-site supervision for the resolution planning purposes of a credit institution shall be performed:

- 1) by reviewing bookkeeping documents, business books, ancillary and other records and accounts, reports which the credit institution is required to compile, policies and other internal bylaws as well as other documentation relating to the credit institution's operation, in the original, in the paper form and/or in the form of an electronic record in the medium and format required by the authorised person;
- 2) by obtaining written and oral explanations from the management and supervisory board of a credit institution or its employees.

(3) An on-site supervision for the resolution planning purposes shall be performed by the employees of the Croatian National Bank, as the resolution authority, authorised by the Governor of the Croatian National Bank (hereinafter referred to as 'the authorised person').

(4) The authorisation referred in paragraph (1) of this Article shall lay down the scope of an on-site supervision for the resolution planning purposes and the period covered by the supervision. If the authorised person finds that there is a need to extend the scope of the supervision beyond the limits laid down in the relevant authorisation, he/she shall request additional authorisation from the Governor.

(5) Exceptionally, the Governor of the Croatian National Bank may authorise an auditor, an audit company or other professionally qualified persons to carry out tasks related to an on-site supervision of a credit institution's operation for the resolution planning purposes.

Article 5

(1) A credit institution shall enable the authorised person, at his/her request, to carry out an on-site supervision for the resolution planning purposes at its head office and in other localities in which the credit institution or another person with its authorisation carries

out activities and operations that are subject to the relevant supervision of the Croatian National Bank, as the resolution authority.

(2) If a credit institution outsources certain activities, it shall enable the authorised persons to carry out an on-site supervision for the resolution planning purposes of such activities on the business premises of the service provider.

(3) A credit institution shall enable the authorised person, at his/her 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 a relevant on-site supervision for the resolution planning purposes.

(4) A credit institution shall deliver to the authorised person, at his/her request, computer print-outs, copies of business books, business documentation and administrative or business records in the paper form or in the form of an electronic record, in the medium and format required by the authorised person.

(5) The members of the supervisory and management board, procurators, other managers and employees of a credit institution shall provide the authorised person, at his/her request, with oral and written answers to the questions relevant for the exercise of powers referred to in Title III and Title V of the Act and support them by relevant documentation.

Article 6

(1) The Croatian National Bank, as the resolution authority, shall deliver a notification of an on-site supervision for the resolution planning purposes to a credit institution at least ten days prior to its implementation.

(2) Such notification of an on-site supervision for the resolution planning purposes shall, in addition to information on the subject of the supervision, include information concerning the planned beginning and duration of the supervision, the name of the person in charge and the number of authorised persons carrying out the supervision, a list of documents and information that, at a minimum, need to be made available in order to prepare and carry out the supervision, as well as other necessary information required for its implementation.

(3) By way of derogation from the provision of paragraph (1) of this Article, the authorised person may deliver a notification of an on-site supervision for the resolution planning purposes immediately before the beginning of the supervision, at the latest.

IV PERSONS AUTHORISED TO CARRY OUT AN INDEPENDENT VALUATION

Article 7

In order for a valuation report referred to in Article 35, paragraph (1) of the Act to be compiled, the Governor of the Croatian National Bank may authorise an auditor or an audit company eligible to act as an independent valuer under the Act, Directive 2014/59/EU and regulations adopted thereunder to collect and verify the necessary information on the premises of the credit institution for which the valuation report is compiled.

V REPORT ON AN ON-SITE SUPERVISION FOR THE RESOLUTION PLANNING PURPOSES

Article 8

(1) Following an on-site supervision for the resolution planning purposes, the employees of the Croatian National Bank shall prepare a report only if they, in the course of the supervision for the resolution planning purposes, have established:

- 1) illegalities in the credit institution's operation; or
- 2) the need to impose measures in accordance with Articles 21 or 25 of the Act.

(2) Where an on-site supervision for the resolution planning purposes establishes that there are no circumstances referred to in paragraph (1) of this Article, the authorised persons shall write an official note concerning the supervision and deliver it to the credit institution within the deadline specified in Article 9 of this Decision.

VI PROCEDURE FOR COMPILING AND ISSUING A REPORT ON AN ON-SITE SUPERVISION FOR THE RESOLUTION PLANNING PURPOSES

Article 9

(1) When the conditions referred to in Article 8, paragraph (1) of this Decision have been met, the authorised persons shall compile a report concerning the on-site supervision for the resolution planning purposes within 30 days of the date of its completion and deliver it to:

- 1) the chairperson of the credit institution's management board; and
- 2) the chairperson of the credit institution's supervisory board.

(2) The date of the completion of an on-site supervision for the resolution planning purposes shall be the last day of the supervision on the credit institution's premises. Exceptionally, when it is required to perform further analysis of the data acquired through the supervision, an on-site supervision for the resolution planning purposes shall be considered completed as at the date of the finalisation of such analysis. Such analysis shall be carried out within 15 working days of the date of the completion of an on-site supervision for the resolution planning purposes on the credit institution's premises.

(3) The chairperson of the credit institution's management board shall, before the expiry of the time limit for submitting objections to the findings in the report, review these findings with other members of the credit institution's management board. In addition, the chairperson of the credit institution's management board shall, without delay, deliver a copy of the report to the credit institution's internal audit.

(4) The chairperson of the credit institution's supervisory board shall, without delay, notify the supervisory board members of the findings in the report.

(5) The credit institution may submit observations on the findings in the report within a time limit laid down by the Croatian National Bank, as the resolution authority, which may not be shorter than 10 working days or longer than 15 working days of the receipt of the report.

Article 10

(1) If the authorised person finds that the objections submitted by a credit institution are justified, he/she shall prepare an appendix to the report, amending the report findings. If the authorised person finds that the observations submitted by a credit institution as regards the report are unjustified and that there is insufficient evidence to amend the findings of the on-site supervision for the resolution planning purposes, he/she shall, within 10 working days of the receipt of the observations, notify in writing the chairperson of the credit institution's management board that the observations are not accepted.

(2) An appendix to the report shall be prepared within 10 working days of the receipt of the observations that have been accepted and shall be delivered to the persons referred to in Article 9, paragraph (1) of this Decision. Article 9, paragraphs (3) and (4) of this Decision shall apply *mutatis mutandis* to the appendix to the report. The credit institution shall not be allowed to submit observations to the appendix to the report.

Article 11

(1) Where an on-site supervision for the resolution planning purposes has showed that there are illegalities regarding the credit institution's operation, the authorised person shall, in the report, specify the facts and describe the actions of the credit institution, or of the responsible person, that were contrary to law and regulations, and collect evidence thereof.

(2) The authorised person shall identify the person responsible for illegalities described in the report pursuant to the credit institution's Articles of Association or other internal bylaws.

(3) The observations submitted by a credit institution as regards the report referred to in Article 8, paragraph (1) of this Decision shall also include a statement on the responsible persons named in the report. If the credit institution considers another member of the

management board to be responsible rather than the management board member named in the report, it shall provide evidence for such a claim.

Article 12

(1) The report on an on-site supervision for the resolution planning purposes or the official note on an on-site supervision for the resolution planning purposes shall be signed by the authorised person.

(2) The procedure for compiling and issuing a report on an on-site supervision for the resolution planning purposes shall also apply *mutatis mutandis* to the issuing of a report in the event that the circumstances referred to in Article 8, paragraph (1) of this Decision were established in the course of an supervision for the resolution planning purposes referred to in Article 3, paragraph (2), item (1) of this Decision.

VII MEASURES

Article 13

1) The Croatian National Bank shall impose measures referred to in Articles 21 and 25 of the Act by means of a decision, which shall be adopted and delivered to the credit institution within 6 months following the expiry of the time limit for submitting credit institution's objections to the report on the supervision for the resolution planning purposes or of the date of delivery of an appendix to the report to the credit institution.

(2) The chairperson of the credit institution's management board shall notify other members of the management board of the content of the decision at the next meeting of the credit institution's management board. In addition, the chairperson of the credit institution's management board shall notify the chairperson of the credit institution's supervisory board of the content of the decision immediately upon its receipt and deliver a copy of the decision to the credit institution's internal audit.

(3) Upon receipt of the decision, the chairperson of the credit institution's supervisory board shall without delay notify other supervisory board members of the measures referred to in paragraph (1) of this Article imposed by the Croatian National Bank, as the resolution authority.

VIII FINAL PROVISION

Article 14

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

No.: 218-020/07-17/BV

Zagreb, 19 July 2017

Governor
Boris Vujčić, m. p.