

Pursuant to Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), Article 4, paragraph (1), item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) and Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macro prudential policy measures (ESRB/2015/2), the Governor of the Croatian National Bank hereby issues the

**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**

1 GENERAL PROVISIONS

**Subject matter
Article 1**

(1) This Decision prescribes:

- the procedure of reciprocity and application of macroprudential policy measures applied to credit institutions which have been adopted by relevant authorities of other European Union Member States (hereinafter referred to as 'Member States'), and have been recommended for reciprocation by the European Systemic Risk Board (hereinafter referred to as 'ESRB'); and
- the procedure of assessment of cross-border effects of macroprudential policy measures activated in the Republic of Croatia.

(2) By way of derogation from paragraph (1) of this Article, macroprudential policy measures provided for in Articles 124 and 126 of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013., hereinafter referred to as 'Regulation (EU) 575/2013') and measures relating to the countercyclical capital buffer, which are not prescribed by Article 124 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015), are not the subject of this Decision.

**Terms and definitions
Article 2**

The terms used in this Decision and any individual decision shall have the following meaning:

1) '*macroprudential policy measure*' means any measure that addresses the prevention and mitigation of systemic risk as defined in Article 2(c) of Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macroprudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331, 15.12.2010., hereinafter referred to as 'Regulation (EU) No 1092/2010'), as adopted or activated by a relevant authority subject to Union or national law;

2) '*reciprocity*' means an arrangement, whereby the Croatian National Bank applies the same, or equivalent, macroprudential policy measure, as is set by the relevant authority of another Member State;

- 3) '*reciprocating macroprudential policy measure*' is a measure that by subject and coverage has the same economic impact, the same scope of application and the same sanctions for non-compliance as the measure that is reciprocated;
- 4) '*additivity*' is the principle of applying reciprocating measures relating to capital buffers, thus avoiding the multiplication or overlapping of existing and reciprocated measures in covering identical risks;
- 5) '*relevant authority*' means an authority competent for adopting and/or activating macroprudential policy measures in a Member State;
- 6) '*exemption*' means that a credit institution is not obligated to apply a reciprocating macroprudential policy measure, if the Croatian National Bank establishes that the exposure to the identified risk is non-material, or if it establishes that there is no possibility of material cross-border effects (*de minimis* principle);
- 7) '*cross-border effects*' include the negative effects of the implementation of national macroprudential measures in the form of leakages and regulatory arbitrage of the participants in the European financial market, in the Republic of Croatia and other Member States;
- 8) '*total exposure*' shall have the meaning as defined in Article 5, paragraph (1) of Regulation (EU) No 575/2013;
- 9) '*risk exposure*' means the total risk exposure amount calculated in accordance with Article 92, paragraph (3) of Regulation (EU) No 575/2013;
- 10) '*individual decision*' means a decision adopted pursuant to this Decision for the purpose of reciprocation of macroprudential policy measures adopted by the relevant authority of another Member State of the European Union, whose reciprocation has been recommended by the European Systemic Risk Board.

2 RECIPROCATION

Procedure of the reciprocation of measures

Article 3

(1) The Croatian National Bank shall decide whether to reciprocate a macroprudential policy measure referred to in Article 1, paragraph (1), item (1) of this Decision pursuant to the recommendations of the European Systemic Risk Board adopted in accordance with Articles 16 and 17 of Regulation (EU) No 1092/2010.

(2) The Croatian National Bank shall adopt an individual decision on the reciprocation of a measure within three months of the publication of the latest amendment to the Recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/2) (hereinafter referred to as 'the Recommendation').

(3) The Croatian National Bank shall adopt individual decisions pursuant to Article 11, paragraph (1) or (2), Article 119 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015), or pursuant to Article 7 or 8 of the Act on the Financial Stability Council (Official Gazette 159/13).

(4) When adopting an individual decision, the Croatian National Bank shall undertake all necessary measures for the individual decision to enter into force in accordance with the Recommendation, taking into account the rules for adopting subordinate regulations.

(5) When deciding whether to recognise measures referred to in Article 1 of this Decision, the Croatian National Bank shall define the principles of exemption and additivity for each individual measure, subject to the single market principle, whereby it will take into account the possible cross-border effects of the measure to be recognised, which might put into question the effectiveness of national macroprudential policy measures of Member States or measures undertaken by the Croatian National Bank or other competent authorities in the Republic of Croatia with whom the Croatian National Bank shares the responsibility for implementing the macroprudential policy.

(6) Exemptions to the procedure of the reciprocation of measures shall not depend on the fact whether banking and financial services are provided through a branch in another Member State or directly.

(7) In the procedure of the reciprocation of measures referred to in Article 1, paragraph (1), item (1) of this Decision, the Croatian National Bank shall endeavour to coordinate with other relevant authorities in the Republic of Croatia with whom it shares the responsibility for implementing the macroprudential policy.

3 NOTIFICATION OF RELEVANT AUTHORITIES

Informing relevant authorities in the European Union on the reciprocation of measures of other Member States

Article 4

(1) The Croatian National Bank shall notify the ESRB, the European Central Bank and the European Banking Authority of the reciprocation of other relevant authorities' macroprudential measures whose reciprocation has been recommended by the ESRB, by using the official template published on the ESRB's website.

(2) The Croatian National Bank shall notify the authorities referred to in paragraph (1) of this Article on the reciprocation of macroprudential policy measures no later than one month after the individual decision has entered into force.

(3) The Croatian National Bank shall endeavour to coordinate with other relevant authorities with whom it shares the responsibility for developing and implementing the macroeconomic policy in order to submit to the ESRB the necessary information within its competence in time and in full scope.

Informing the relevant authorities in the European Union on the reciprocation of measures implemented by the Croatian National Bank

Article 5

(1) The Croatian National Bank shall assess the cross-border effects of the implementation of its macroprudential policy measures prior to their adoption and these assessment shall be founded on analytical approaches exemplified in ESRB's manuals or good practices of central banks and shall include or encompass at least the following:

1. possible cross-border effects (leakages and regulatory arbitrage) of the implementation of macroprudential policy measures in the domestic market;
2. cross-border effects of any proposed macroprudential policy measure on other Member States and on the single market of the European Union;
3. the necessity of reciprocation by the relevant authorities of other Member States.

(2) The Croatian National Bank shall notify the ESRB of a macroprudential policy measure as soon as it is adopted and no later than two weeks after the adoption of the measure.

(3) The notification referred to in paragraph (2) of this Article shall include an assessment of cross-border effects and of the necessity for reciprocation by relevant authorities of Member States. Pursuant to this assessment it may include a reciprocation request using the official templates published on the ESRB's website.

5 TRANSITIONAL AND FINAL PROVISIONS

Entities subject to this Decision and notification of the Croatian National Bank

Article 6

(1) The provisions of individual decisions shall apply to all credit institutions with registered offices in the Republic of Croatia, authorised by the Croatian National Bank.

(2) The provisions of individual decisions shall apply *mutatis mutandis* to branches of third-country credit institutions which have been authorised by the Croatian National Bank to establish a branch of the third-country credit institution.

(3) Credit institutions shall notify the Croatian National Bank on the application of measures and meeting of requirements under this Decision and individual decisions in the same manner and within the same time frame as prescribed by regulations governing reporting to the Croatian National Bank applied to the same or similar measures.

Review of the reciprocation of measures

Article 7

(1) An individual decision shall apply until the repealing of the measure by a relevant authority of another Member State.

(2) The Croatian National Bank may review individual decisions on the reciprocation of measures referred to in Article 1 of this Decision and depending on the results of the review repeal or amend individual decisions.

(3) The Croatian National Bank shall once a year monitor and review the effects of the application of its macroprudential policy measures and the necessity for reciprocation of these measures by the relevant authorities of other Member States.

Entry into force

Article 8

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

No.: 183-020/06-17/BV
Zagreb, 19 June 2017

Boris Vujčić
Croatian National Bank
Governor