

THE CROATIAN PARLIAMENT

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Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

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I hereby promulgate the Act on Amendments to the Credit Institutions Act passed by the Croatian Parliament at its session on 2 February 2018.

Class: 011-01/18-01/14

No.: 71-06-01/1-18-2

Zagreb, 8 February 2018

The President of the Republic of Croatia
Kolinda Grabar-Kitarović, m.p.

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THE ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

Article 1

In the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015), in Article 2, paragraph (1), item (1) is amended to read:

"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 (OJ L 176, 27.6.2013, hereinafter referred to as 'Directive 2013/36/EU'), as last amended by 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 (OJ L 337, 23.12.2015);".

After paragraph (2), paragraph (3) is inserted which reads:

"3) This Act further regulates the implementation of 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 (OJ L 158, 27.5.2014, hereinafter referred to as 'Regulation (EU) No 537/2014');".

Article 2

Article 3 is amended to read:

"For the purposes of this Act, the following terms shall have the following meaning:

1) '*immediate family member*' means:

1. the 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;
2. a son, an adopted son, a daughter or an adopted daughter of the person;
3. a son, an adopted son, a daughter or an adopted daughter of the person referred to in sub-item (1) of this item;

4. another person without full legal capacity and under the custody of the person;

2) '*discretionary pension benefits*' shall have the meaning as defined in Article 4, paragraph (1), item (73) of Regulation (EU) No 575/2013;

3) '*subsidiary*' shall have the meaning as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;

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

5) '*ancillary services undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (18) of Regulation (EU) No 575/2013;

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

7) '*asset management company*' shall have the meaning as defined in Article 4, paragraph (1), item (19) of Regulation (EU) No 575/2013;

8) '*host Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (44) of Regulation (EU) No 575/2013;

9) '*financial institution*' shall have the meaning as defined in Article 4, paragraph (1), item (26) of Regulation (EU) No 575/2013;

10) '*leverage*' shall have the meaning as defined in Article 4, paragraph (1), item (93) of Regulation (EU) No 575/2013;

11) '*financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (20) of Regulation (EU) No 575/2013;

12) '*financial instrument*' shall have the meaning as defined in Article 4, paragraph (1), item (50) of Regulation (EU) No 575/2013;

13) '*financial contracts*' shall have the meaning as defined in Article 4, paragraph (2), item (97) of the Act on the Resolution of Credit Institutions and Investment Firms;

14) '*group*' means a parent undertaking as defined in Article 4, paragraph (1), item (15), sub-item (a) of Regulation (EU) No 575/2013 and its subsidiary as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;

15) '*group of credit institutions*' shall have the meaning as defined in Article 17 of this Act;

16) '*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 'RC');

17) '*group of credit institutions in the RC*' shall have the meaning as defined in Article 278 of this Act;

18) '*group of connected clients*' shall have the meaning as defined in Article 4, paragraph (1), item (39) of Regulation (EU) No 575/2013;

19) '*designated authority*' means the authority responsible for setting the countercyclical buffer rate, the structural systemic risk buffer rate, or the G-SII buffer (hereinafter referred to as 'G-SII') and the O-SII buffer rate (hereinafter referred to as 'O-SII');

20) '*resolution tool*' shall have the meaning as defined in Article 56, paragraph (1) of this the Act on the Resolution of Credit Institutions and Investment Firms;

21) '*internal approaches*' means the Internal Ratings Based Approach referred to in Article 143, paragraph (1), the Internal Models Approach referred to in Article 221, the Own Estimates Approach referred to in Article 225, an Advanced Measurement Approach referred to in Article 312, paragraph (2), the Internal Model Method referred to in Articles 283 and 363 and the Internal Assessment Approach referred to in Article 259, paragraph (3) of Regulation (EU) No 575/2013;

22) '*investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (2) of Regulation (EU) No 575/2013;

23) '*trading book*' shall have the meaning as defined in Article 4, paragraph (1), item (86) of Regulation (EU) No 575/2013;

24) '*consolidating supervisor*' shall have the meaning as defined in Article 4, paragraph (1), item (41) of Regulation (EU) No 575/2013;

25) '*consolidated basis*' shall have the meaning as defined in Article 4, paragraph (1), item (48) of Regulation (EU) No 575/2013;

26) '*consolidated situation*' shall have the meaning as defined in Article 4, paragraph (1), item (47) of Regulation (EU) No 575/2013;

27) '*control*' shall have the meaning as defined in Article 4, paragraph (1), item (37) of Regulation (EU) No 575/2013;

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

29) '*qualifying holding*' shall have the meaning as defined in Article 4, paragraph (1), item (36) of Regulation (EU) No 575/2013;

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

31) '*parent credit institution in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (28) of Regulation (EU) No 575/2013, but shall not include the RC parent credit institution;

32) '*EU parent credit institution*' shall have the meaning as defined in Article 4, paragraph (1), item (29) of Regulation (EU) No 575/2013;

33) '*EU parent credit institution having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (29) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

34) '*RC parent credit institution*' means a credit institution which in the Republic of Croatia has a credit institution, an investment firm or a financial institution as a subsidiary or which holds a participation in such a credit institution, an investment firm or a financial institution and which is not itself a subsidiary of another credit institution or 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 credit institution;

35) '*parent financial holding company in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (30) of Regulation (EU) No 575/2013, but excluding an RC parent financial holding company;

36) '*EU parent financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013;

37) '*EU parent financial holding company having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (31) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

38) '*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 a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent financial holding company;

39) '*parent mixed financial holding company in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (32) of Regulation (EU) No 575/2013, but excluding an RC parent mixed financial holding company;

40) '*EU parent mixed financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013;

41) '*EU parent mixed financial holding company having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (33) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

42) '*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;

43) '*parent undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (15), of Regulation (EU) No 575/2013;

44) '*micro, small and medium-sized enterprises*' shall have the meaning as defined taking into consideration the annual turnover criterion referred to in Article 2, paragraph (1) of the Annex to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of macro, small and medium-sized enterprises (OJ L 124, 20.5.2003), including non-profit organisations;

45) '*crisis prevention measure*' shall have the meaning as defined in Article 4, paragraph (2), item (98) of the Act on the Resolution of Credit Institutions and Investment Firms;

46) '*mixed financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (21) of Regulation (EU) No 575/2013;

47) '*mixed-activity holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (22) of Regulation (EU) No 575/2013;

48) '*competent authority*' shall have the meaning as defined in Article 4, paragraph (1), item (40) of Regulation (EU) No 575/2013;

49) '*authorisation*' shall have the meaning as defined in Article 4, paragraph (1), item (42) of Regulation (EU) No 575/2013;

50) '*resolution powers*' shall have the meaning as defined under Title X of the Act on the Resolution of Credit Institutions and Investment Firms;

51) '*eligible deposits*' shall have the meaning as defined in Article 3, item 9 of the Deposit Insurance Act;

52) '*branch*' shall have the meaning as defined in Article 4, paragraph (1), item (17) of Regulation (EU) No 575/2013;

53) '*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:

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

2. 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

3. a person who is an immediate family member of a direct holder;

54) '*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;

55) '*sub-consolidated basis*' shall have the meaning as defined in Article 4, paragraph (1), item (49) of Regulation (EU) No 575/2013;

56) '*eligible capital*' shall have the meaning as defined in Article 4, paragraph (1), item (71), sub-item (b) of Regulation (EU) No 575/2013;

57) '*countercyclical capital buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 118 of this Act, calculated with respect to each credit institution;

58) '*work day*' means each day except Saturday, Sunday and work days which have been declared non-working days in accordance with the regulations of the Republic of Croatia;

59) '*distributions*' shall have the meaning as defined in Article 4, paragraph (1), item (110) of Regulation (EU) No 575/2013;

60) '*common equity tier 1 capital*' shall have the meaning as defined in Article 50 of Regulation (EU) No 575/2013;

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

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

63) '*resolution*' shall have the meaning as defined in Article 4, paragraph (2), item (1) of the Act on the Resolution of Credit Institutions and Investment Firms;

64) '*resolution action*' shall have the meaning as defined in Article 4, paragraph (2), item (38) of the Act on the Resolution of Credit Institutions and Investment Firms;

65) '*resolution administration*' shall have the meaning as defined in Articles 44 to 53 of the Act on the Resolution of Credit Institutions and Investment Firms;

66) '*resolution college*' shall have the meaning as defined in Article 4, paragraph (2), item (44) of the Act on the Resolution of Credit Institutions and Investment Firms;

67) '*group resolution scheme*' shall have the meaning as defined in Article 4, paragraph (2), item (43) of the Act on the Resolution of Credit Institutions and Investment Firms;

68) '*resolution authority*' shall have the meaning as defined in Article 4, paragraph (2), item (18) of the Act on the Resolution of Credit Institutions and Investment Firms;

69) '*group-level resolution authority*' shall have the meaning as defined in Article 4, paragraph (2), item (42) of the Act on the Resolution of Credit Institutions and Investment Firms;

70) '*securitisation*' shall have the meaning as defined in Article 4, paragraph (1), item (61) of Regulation (EU) No 575/2013;

71) '*securitisation position*' shall have the meaning as defined in Article 4, paragraph (1), item (62) of Regulation (EU) No 575/2013;

72) '*securitisation special purpose entity*' or '*SSPE*' shall have the meaning as defined in Article 4, paragraph (1), item (66) of Regulation (EU) No 575/2013;

73) '*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;

74) '*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;

75) '*credit risk mitigation*' shall have the meaning as defined in Article 4, paragraph (1), item (57) of Regulation (EU) No 575/2013;

76) '*institution-specific countercyclical buffer rate*' means the rate that a specific credit institution calculates under the rules set out in Article 126 of this Act to calculate a countercyclical capital buffer;

77) '*central counterparty*' or '*CCP*' shall have the meaning as defined in Article 4, paragraph (1), item (34) of Regulation (EU) No 575/2013;

78) '*central banks*' shall have the meaning as defined in Article 4, paragraph (1), item (46) of Regulation (EU) No 575/2013;

79) '*ESCB central banks*' shall have the meaning as defined in Article 4, paragraph (1), item (45) of Regulation (EU) No 575/2013;

80) '*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 Article 119 or 124 of this Act or by a relevant third-country authority, as the case may be;

81) '*structural systemic risk*' means a long-term non-cyclical systemic or macroprudential risk or the risk arising from the structure and organisation of the financial system;

82) '*participation*' shall have the meaning as defined in Article 4, paragraph (1), item (35) of Regulation (EU) No 575/2013;

83) '*associate of the acquirer of a qualifying holding*' means:

– any natural person that holds a management position in a legal entity in which the proposed acquirer of a qualifying holding in a credit institution holds a management position or is the beneficial owner of the legal entity;

– any natural person who is the beneficial owner of the legal entity in which the proposed acquirer of a qualifying holding in a credit institution holds a management position;

– any natural person who has joint beneficial ownership of a legal entity with the proposed acquirer of a qualifying holding in a credit institution;

84) '*associate of the applicant for prior approval to perform the function of a member of the credit institution's management board*' means:

– any natural person that holds a management position in a legal entity in which the candidate for a member of a credit institution's management board holds a management position or is the beneficial owner of the legal entity;

– any natural person who is the beneficial owner of the legal entity in which the candidate for a member of a credit institution's management board holds a management position;

– any natural person who has joint beneficial ownership of a legal entity with the candidate for a member of a credit institution's management board;

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

86) '*total income*' means net interest income and net income from fees and commissions in the business year preceding the year when the offence was committed, which includes gross income and is disclosed in the register of annual financial statements kept with the Financial Agency. Exceptionally, if a minor offence has been committed by a subsidiary of a parent undertaking in the Republic of Croatia, the relevant net interest income and income from fees shall be determined based on consolidated annual financial statements of the ultimate parent undertaking in the Republic of Croatia.

87) '*close links*' shall have the meaning as defined in Article 4, paragraph (1), item (38) of Regulation (EU) No 575/2013;

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

89) '*large enterprises*' means enterprises not covered by item (44) of this Article;

90) '*senior management*' means those natural persons who exercise executive functions in the credit institution responsible for day-to-day operations of the credit institutions and are accountable for the day-to-day management of the credit institution to the management board;

91) '*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:

1) a countercyclical capital buffer;

2) a G-SII buffer;

3) an O-SII buffer;

4) a structural systemic risk buffer.

92) '*G-SII buffer*' means the own funds that G-SIIs are required to maintain in accordance with Article 135 of this Act;

93) '*capital conservation buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 117 of this Act;

94) '*O-SII buffer*' means the own funds that O-SIIs are required to maintain in accordance with Article 137 of this Act;

95) '*structural systemic risk buffer*' means the own funds that a credit institution is required to maintain in accordance with Article 130 of this Act."

Article 3

In Article 4, paragraph (1), item (3) is amended to read:

"3) make every effort to comply with those 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'), and 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 Risk Board (OJ L 331/1, 24.11.2010, hereinafter referred to as 'Regulation (EU) No 1092/2010') and".

Article 4

In Article 6, paragraph (1), item (5), the words "the Member States or" are deleted.

Article 5

In Article 8, paragraph (2), item (3), the word "and" is deleted.

After item (3), new items (4) and (5) are inserted which read:

"4) trading in gold

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

The former item (4) becomes item (6).

Article 6

Article 11 is amended to read:

"(1) The Croatian National Bank shall be competent for the supervision of the application of the provisions of this Act.

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

(3) For the purposes of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall be the authority competent for supervising credit institutions."

Article 7

In Article 12, paragraph (1), in the introductory sentence, the words "where it has not established a branch and" are deleted.

Article 8

Article 16 is amended to read:

"(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) 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;

3) 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;

4) undertakings that are members of the same group;

5) 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;

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

7) legal persons interconnected within the meaning of the provisions of the Companies Act;

8) members of management or supervisory boards of undertakings acting in concert;

9) members of management or supervisory boards and the undertakings in which they are members of these bodies;

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

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

12) 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 further regulate the circumstances indicating acting in concert referred to in paragraphs (2) and (3) of this Article."

Article 9

Article 24 is amended to read:

"(1) A holder of a qualifying holding may only be a legal or natural person and persons acting in concert who have obtained prior approval from the Croatian National Bank 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 shares of a credit institution 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 for prior approval 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.

(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 for the prior approval to acquire a qualifying holding in a credit institution may be submitted by the ultimate acquirer of a qualifying holding.

(5) Persons who obtained the prior approval shall, within 12 months of the adoption of the decision on the prior approval, complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof.

(6) Persons who obtained the prior approval who will not complete the acquisition of a qualifying holding within the period referred to in paragraph (5) of this Article may, no later than 15 days before the expiry of that period, submit a reasoned request to the Croatian National Bank for an extension of that period. This extension may be up to six months.

(7) Should persons who obtained the prior approval 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, they shall notify the Croatian National Bank in advance.

(8) Persons who have obtained the prior approval referred to in paragraph (1) of this Article, and who have thereafter sold or otherwise disposed of their shares and thereby reduced their holdings below the threshold for which they obtained prior approval, shall submit an application to the Croatian National Bank for prior approval to acquire a qualifying holding if, following the expiry of a period of 12 months of the adoption of the decision on the prior approval, they again intend to acquire a qualifying holding in the amount for which they obtained prior approval.

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

1) a credit institution, an insurance or reinsurance undertaking or 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 or 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 or 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.

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

(11) Legal persons holding qualifying holdings shall notify the Croatian National Bank of any changes in their status, including participation in mergers by acquisition, mergers by formation of a new undertaking, or divisions of an undertaking, within eight days of effecting such changes.

(12) A financial holding company or mixed-activity financial holding company which, in accordance with the approval to acquire a qualifying holding, has the status of the parent undertaking of a credit institution shall notify the Croatian National Bank of any change in its management board within eight days of effecting the change.

(13) The provisions on the percentage of voting rights of the law governing the capital market shall be applied *mutatis mutandis* to determine the percentage of the qualifying holding.

(14) 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.

(15) 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, shall submit to the Croatian National Bank an application to acquire a qualifying holding within 30 days of the date when they became persons acting in concert. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

(16) 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 for such acquisition within 30 days of the day on which the person became aware or should have become aware of such an acquisition. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

(17) 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 exceed 10%, 20%, 30%, or 50% in the capital or voting rights of the credit institution, the person shall submit an application for further acquisition of a holding in the capital or of the voting rights within 30 days of the day when they became aware or should have become aware of the increase in their holdings due to the credit institution's action. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

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

(19) By way of derogation from the provisions of paragraph (2) and (15) of this Article, persons for whom circumstances referred to in Article 16, paragraph (2) 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.

(20) Where the Croatian National Bank determines the non-existence of acting in concert of persons referred in Article 16, paragraph (2) of this Act based on the application referred to in paragraph (19) of this Article, these persons shall not be obligated to submit the application referred to in paragraph (2) or (15) of this Article.

(21) If the Croatian National Bank refuses the application referred to in paragraph (19) 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 for approval to acquire a qualifying holding prior to the acquisition of a qualifying holding;

2) the persons referred to in paragraph (15) 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.

(22) Where the persons referred to in paragraph (15) of this Article fail to submit the application referred to in paragraph (19) of this Article within 30 days of the date when they became persons acting in concert."

Article 10

Article 25 is amended to read:

"(1) An application for prior approval to acquire a qualifying holding shall be accompanied by the documentation verifying compliance with the conditions laid down in the subordinate legislation adopted under Article 28, paragraph (5) of this Act.

(2) The Croatian National Bank shall be competent to obtain evidence that the acquirer has not been convicted of a minor offence, information on whether criminal or minor offence proceedings have been initiated against the acquirer, and evidence that the acquirer has not been convicted by a judgement with final force and effect of any of criminal offences committed in the Republic of Croatia or of criminal offences committed in a Member State from the criminal history records and minor offence records, based on a reasoned explanation for each request from the records, or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, in relation to the following criminal offences:

– 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 110/1997, 27/1998, 50/2000, 129/2000, 51/2001, 111/2003, 190/2003, 105/2004, 84/2005, 71/2006, 110/2007, 152/2008 and 57/2011);

– 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 84/2002 and 138/2006);

- 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 152/2008);

- 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), criminal offences against sexual freedom (Title XVI), a criminal offence of unauthorised manufacture of drugs and drugs trafficking (Article 190), and a criminal offence of enabling the use of drugs (Article 191), 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), a criminal offence of computer-related forgery (Article 270), a criminal offence of computer-related fraud (Article 271), criminal offences of forgery (Title XXVI) and criminal offences 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 unlawful possession, making and procurement of weapons and explosive devices (Article 331), criminal offences against a foreign state or international organisation (Title XXXIII) under the Criminal Code;

- criminal offences under the law governing the operation of undertakings;

- criminal offences under the law governing the operation of investment funds;

- criminal offences under the Accounting Act (Official Gazette 109/2007, 54/2013 and 121/2014).

(3) When deciding whether to grant prior approval, the Croatian National Bank shall consult the European Banking Authority database of administrative penalties.

(4) The Croatian National Bank may in the course of processing the application request from the acquirer and the credit institution to provide, within the time limit referred to in Article 27, paragraph (1) of this Act, additional documentation that it deems necessary to decide whether to grant prior approval, including information prescribed in the law governing the prevention of money laundering and terrorist financing, which is being collected by the persons subject to that law.

(5) The Croatian National Bank may, for the purpose of obtaining information necessary to decide on granting prior approval to acquire a qualifying holding, verify the data delivered by the acquirer of a qualifying holding.

(6) The Croatian National Bank shall be competent to obtain data on judgements with final force and effect regarding the associate of the acquirer of a qualifying holding intending to directly or indirectly acquire or increase a qualifying holding in a credit institution for criminal offences committed in the Republic of Croatia from the ministry responsible for the judiciary or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation."

Article 11

Article 26 is amended to read:

"(1) The Croatian National Bank shall acknowledge in writing the receipt of the application for prior approval to acquire or increase a qualifying holding (hereinafter referred to as 'application') within two working days. The Croatian National Bank shall verify the completeness of the application when acknowledging the receipt. The Croatian National Bank shall notify the applicant of the date of expiry of the decision-making period when acknowledging the receipt of a complete application.

(2) If the application is not complete the Croatian National Bank shall invite the applicant to supplement the application within a reasonable timeframe. The Croatian National Bank shall act in accordance with paragraph (1) of this Article within two working days of receipt of the supplemented application.

(3) A complete application referred to in paragraph (1) of this Article shall be considered to be an application accompanied by the documentation prescribed in subordinate legislation adopted under Article 28, paragraph (2) of this Act.

(4) By way of derogation from paragraphs (1) to (3) of this Article, where the Croatian National Bank, after having acknowledged the receipt of a complete application, determines any deficiencies in the documentation rendering the application incomplete it may refuse or reject the application within the time limit referred to in paragraph (5) of this Article.

(5) The Croatian National Bank shall complete the decision-making procedure regarding prior approval to acquire a qualifying holding (hereinafter referred to as 'decision-making procedure') within 60 working days of submission of a complete application.

(6) The Croatian National Bank shall deliver the decision to the applicant within two working days following the decision on the application and within the time limit referred to in paragraph (5) of this Article. At the request of the applicant for prior approval to acquire or increase a qualifying holding whose application to acquire or increase a qualifying holding has been refused, the Croatian National Bank shall issue a press release thereon and state the reasons for the refusal.

(7) If the Croatian National Bank fails to adopt a decision on an application within the time limit referred to in paragraph (5) of this Article, prior approval to acquire a qualifying holding shall be deemed to have been granted.

(8) 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."

Article 12

In Article 27, paragraph (1), the words "40 days" are replaced by the words "50 days" and the words "paragraph (5)" are replaced by the words "paragraph (4)".

Paragraph (2) is amended to read:

"(2) An applicant for approval to acquire a qualifying holding shall deliver the requested 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 Article 26, paragraph (5) of this Act shall not run within this time limit. The Croatian National Bank may subsequently request for completion or clarification of the submitted information but such request may not extend

the period referred to in Article 26, paragraph (5) of this Act. The Croatian National Bank shall acknowledge in writing the receipt of the requested documentation."

In paragraph (3), after the number "30" the word "working" is inserted.

Article 13

In Article 28, paragraph (1), item (1) is amended to read:

"1) the reputation of the acquirer, taking into account the reputation of all of its shareholders, as well as indirect holders of qualifying holdings and their influence on the acquirer;"

Item 4 is amended to read:

"4) the financial soundness of the acquirer, taking into account the financial soundness of all of its shareholders, as well as of indirect holders of qualifying holdings and their financial influence on the acquirer, in particular in relation to the type of business pursued by the credit institution in which the qualifying holding is acquired;"

After paragraph (2), new paragraphs (3) and (4) are inserted which read:

"(3) 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 the Croatian National Bank may assess only the changes in relation to the previous assessment carried out when the indirect holding was acquired.

(4) Should any of the persons acting in concert been subject to previous assessment of the suitability and financial soundness of the acquirer, the Croatian National Bank may in connection to these persons assess only the changes in relation to the previous assessment of the suitability and financial soundness carried out when the qualifying holding was acquired."

The former paragraph (3) becomes paragraph (5) and is amended to read:

"(5) The Croatian National Bank shall adopt subordinate regulation to further specify:

- 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;
- the manner of submitting applications to acquire a qualifying holding; and
- the documentation to be enclosed with the application for prior approval to acquire a qualifying holding.

Article 14

The title above Article 30 is amended to read: "*Legal consequences of acquisition without approval*".

In Article 30, paragraph (1), after the word "person", the word "directly" is inserted and after the word "institution" the words "or holding referred to in Article 24 of this Act" are deleted.

In paragraph (2), after the words "acting in concert" the word "directly" is inserted and after the words "acquire a qualifying holding" the words "or holding referred to in Article 24 of this Act" are deleted.

After paragraph (9), a new paragraph (10) is added which reads:

"(10) If a legal or natural person or persons acting in concert indirectly acquire a qualifying holding in a credit institution without approval of the Croatian National Bank, the Croatian National Bank shall issue a decision ordering that the thus acquired indirect qualifying holding in a credit institution without the required approval be reduced by the holding for which no approval was granted within the time limit referred to in paragraph (5) of this Article."

Article 15

The title above Article 32 is amended to read: "*Revocation of approval to acquire a qualifying holding*".

Article 32 is amended to read:

"(1) The Croatian National Bank may revoke legal approval to acquire a qualifying holding where:

1) a holder of a qualifying holding breaches the obligations referred to in Title XXII 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 him to eliminate deficiencies;

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

3) the conditions referred to in Article 28 of this Act on the suitability and the financial soundness of the acquirer of a qualifying holding are no longer met; or

4) 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.

(2) The provisions of Article 30 of this Act shall apply to a holder of a qualifying holding whose approval to acquire a qualifying holding has been revoked in accordance with paragraph (1) of this Article."

Article 16

In Article 33, paragraph (4) is amended to read:

"(4) As of the date of enforceability of the decision referred to in paragraph (1) of this Article, the holder of a qualifying holding may not exercise any rights arising from any share for which approval of the Croatian National Bank is required, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general meeting 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."

In paragraph (5), the word "acquirer" is replaced by the word "holder" and the words "in paragraphs (1) and (2)" are replaced by the words "in paragraph (1)".

Article 17

Article 34 is amended to read:

"(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 within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, the approval shall be revoked as a whole.

(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 24,

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 24, paragraph (5) or (6) of this Act, the approval to acquire the larger amount shall be revoked.

(3) If, within the time limit referred to in Article 24, paragraph (8) of this Act, a holder of a qualifying holding has reduced the holding to below the amount for which prior approval was granted, the approval shall remain in force in the share exceeding the percentage referred to in Article 24, paragraph (3) of this Act which the holder of a qualifying holding holds at the time of expiry of the said time limit.

(4) If, within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, a holder of a qualifying holding has reduced the holding to below the amount for which prior approval was granted, the approval shall remain in force in the share exceeding the percentage referred to in Article 24, paragraph and (3) of this Act which the holder of a qualifying holding holds."

Article 18

In Article 37, after paragraph (3), paragraph (4) is added which reads:

"(4) By way of derogation from paragraph (1), members of the resolution administration need not be employed with the credit institution under resolution."

Article 19

Article 38 is amended to read:

"(1) Members of the credit institution's management board shall, at all times, meet the following criteria:

- 1) they are of good repute;
- 2) they possess adequate knowledge, skills and experience to direct the business of a credit institution, and together with other members of the management board meet the requirements referred to in Article 35, paragraph (2) of this Act;
- 3) they are not in a conflict of interest in relation to the credit institution, shareholders, supervisory board members, key function holders or senior management of the credit institution;
- 4) based on their conduct thus far it may be reasonably concluded that they will perform the duties of members of the credit institution's management board diligently and conscientiously;
- 5) they meet the criteria for management board members under the provisions of the act governing the operation of undertakings; and
- 6) they are able to commit sufficient time to perform their functions.

(2) A credit institution's management board shall an appropriate policy for selecting and assessing compliance with the criteria for management board members, both individually and collectively, subject to the prior approval of the supervisory board. The credit institution shall implement such policy.

- (3) The Croatian National Bank shall adopt subordinate legislation to further regulate:
- the criteria for membership in the management board of a credit institution referred to in paragraph (1) of this Article and Article 35, paragraph (2) of this Act;
 - the procedure for granting prior approvals;

- the documentation to be enclosed with the application for prior approval for the chairperson or member of the management board; and
- the content of the policy referred to in paragraph (2) of this Article and the frequency of assessing compliance with the criteria for management board members.

(4) A person who has been convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 25, paragraph (2) of this Act or is an associate of the person convicted of criminal offences referred to in Article 25, paragraph (2) of this Act shall not be deemed to be of good repute.

(5) The Croatian National Bank shall be competent to obtain data on judgements with final force and effect regarding the associate of the applicant for approval to perform the function of the credit institution's management board member for whom the application for prior approval pursuant to Article 39, paragraph (2) of this Act has been submitted for criminal offences committed in the Republic of Croatia from the ministry responsible for the judiciary or from the European Criminal Records Information System in accordance with the law governing legal consequences of convicting, criminal records and rehabilitation."

Article 20

In Article 39, paragraph (5), after the word "rehabilitation" a comma is inserted and the words "for the criminal offences referred to in Article 25, paragraph (2) of this Act".

Article 21

The title above Article 44 is amended to read: "*Revocation of approval for the chairperson or a member of the management board*".

Article 44 is amended to read:

(1) The Croatian National Bank shall revoke legal 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 of the Companies Act on the duties of the management board, resulting in the removal of the management board member;

2) where the chairperson or a member of the management board no longer meets the criteria for membership in the management board of a credit institution referred to in Article 38, paragraph (1) of this Act;

3) where the chairperson or a member of the management board receives his or her third warning within a period of five years;

4) where the designated person is not appointed to office or does not assume the office to which the approval relates within six months of the approval;

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

6) where the contract of employment with the credit institution of the person in office expires, on the date of expiry of the contract;

7) where the chairperson or a member of the management board obtained approval by providing false or inaccurate documentation or through false presentation of data relevant for performing the function of the chairperson or a member of the management board.

(2) The period of five years referred to in paragraph (1), item (3) of this Article shall run for each received warning as of the date of its issuance.

(3) The Croatian National Bank may revoke legal 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;

2) where the chairperson or a member of the management board materially breaches the duties of a management board member referred to in Article 41 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 42 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 235a of this Act.

(4) It shall be deemed that the chairperson or a member of the management board materially breaches the obligations referred to in Article 41 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 (3) of this Article, the Croatian National Bank shall take measures of an appropriate scope and nature to verify whether there are facts and circumstances referred to in paragraphs (1) and (3) of this Article in relation to the chairperson or a member of the management board.

(6) If the Croatian National Bank revokes 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 adopt a decision to remove from office the chairperson or a member of the management board.

(7) When the procedure for revocation of approval to perform the function of the chairperson or a member of the credit institution's management board has been initiated due to breaches of risk management rules and regulations because of which a procedure for revocation of the credit institution's authorisation has also been initiated, the Croatian National Bank may join these two procedures."

Article 22

Article 45 is amended to read:

"(1) Members of the credit institution's supervisory board shall at all times meet the following criteria:

1) they are of good repute;

2) they possess adequate knowledge, skills and experience to meet the obligations falling within their competence, which together with other members of the supervisory board meet the requirements referred to in Article 35, paragraph (3) of this Act;

3) they are not in a conflict of interest in relation to the credit institution, shareholders, supervisory board members, key function holders or senior management of the credit institution;

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

5) they can be appointed to the supervisory board under the provisions of the Companies Act.

(2) The supervisory board of a credit institution which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities 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.

(3) The supervisory board of a credit institution not covered by paragraph (2) of this Article shall have at least one independent member. Exceptionally, this obligation 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.

(4) Employees of a credit institution may not be appointed to the supervisory board of the credit institution.

(5) On proposal of a credit institution's management board, the credit institution's general meeting shall adopt an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members individually and collectively. The credit institution shall implement such policy.

(6) A person who has been convicted by a judgement with final force and effect of any of the criminal offences referred to in Article 25, paragraph (2) of this Act shall not be deemed to be of good repute.

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

– the criteria for membership in the supervisory board of a credit institution referred to in paragraph (1) of this Article and Article 35, paragraph (3) of this Act;

– the conditions for determining the independence of supervisory board members and of a sufficient number of independent members;

– the procedure for granting prior approvals and the documentation to be enclosed with the application for prior approval for supervisory board members; and

– the content of the policy referred to in paragraph (5) of this Article and the frequency of assessing compliance with the criteria for supervisory board members."

Article 23

In Article 46, paragraph (5), after the words "rehabilitation" a comma is inserted and the words "for the criminal offences referred to in Article 25, paragraph (2) of this Act".

Article 24

The title above Article 47 is amended to read: "*Revocation of approval for supervisory board members*".

Article 47 is amended to read:

"(1) The Croatian National Bank shall revoke legal approval to perform the function of a member of the credit institution's supervisory board:

1) where a member of the supervisory board no longer meets the criteria for membership in the supervisory board of a credit institution referred to in Article 45 of this Act;

2) where a member of the supervisory board breaches the provisions on duties and responsibilities of supervisory board members referred to in Articles 48 and 49 of this Act;

3) where the designated person does not assume the office to which the approval relates within six months of the approval;

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

5) where a member of the supervisory board obtained approval by providing false or inaccurate documentation or through false presentation of data relevant for performing the function of a member of the supervisory board;

(2) The Croatian National Bank may revoke legal approval to perform the function of a member of the credit institution's supervisory board member where conditions for early intervention in accordance with Article 235a of this Act are met.

(3) In carrying out the procedure referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall take measures of an appropriate scope and nature to verify whether there are facts and circumstances referred to in paragraphs (1) and (2) of this Article relating to supervisory board members.

(4) If the Croatian National Bank revokes the approval to perform the function of a member of a credit institution's supervisory board, the credit institution's general meeting shall without delay adopt a decision to remove from office the member of the supervisory board."

Article 25

In Article 50, paragraph (5) is deleted.

The former paragraph (6) becomes paragraph (5).

Article 26

In Article 52, paragraph (3) is amended to read:

"(3) A credit institution which is not significant in terms of its size, internal organisation and the nature, scope and complexity of its activities may combine a risk and an audit committee. Members of the combined risk and audit committee shall have the knowledge, skills and expertise required for the members of both committees."

Article 27

In Article 63, paragraph (4), after the words "formation of a new credit institution" the words "having its head office within or outside the Republic of Croatia".

After paragraph (10), paragraphs (11) to (15) are added, which read:

"(11) A credit institution to be merged by acquisition to another credit institution having its head office within or outside the Republic of Croatia or to be merged by formation of a new credit institution having its head office within or outside the Republic of Croatia shall together with the authorisation referred to in paragraph (2) or (4) of this Article notify the Croatian National Bank of the manner in which it intends to protect the rights of creditors in accordance with the law governing the operation of undertakings and of the manner and time limits for notifying depositors in accordance with the law governing deposit insurance.

(12) A credit institution to be merged by acquisition to another credit institution having its head office in another Member State, where the credit institution it is to be merged to by acquisition has not established a branch in the Republic of Croatia, shall, prior to the merger and at the latest two months after publishing the joint merger plan:

1) notify the creditors of the merger by acquisition, as well as of the manner in which it intends to secure the fulfilment of their claims within the territory of the Republic of Croatia, unless the credit institution met all of its claims towards the creditors from the Republic of Croatia prior to the merger;

2) notify the debtors of the manner in which they will have their claims met within the territory of the Republic of Croatia; and

3) notify the Croatian National Bank of the meeting of all the claims referred to in items (1) and (2) of this paragraph.

(13) A credit institution to be merged by formation with another credit institution having its head office in another Member State, where the credit institution to be formed will have its head office in another Member State, shall, prior to the formation and at the latest two months after publishing the joint formation plan:

1) notify the creditors of the merger by formation, as well as of the manner in which it intends to secure the fulfilment of their claims within the territory of the Republic of Croatia, unless the credit institution met all of its claims towards the creditors from the Republic of Croatia prior to the merger by formation;

2) notify the debtors of the manner in which they will have their claims met within the territory of the Republic of Croatia; and

3) notify the Croatian National Bank of the meeting of all the claims referred to in items (1) and (2) of this paragraph.

(14) A third-country credit institution that intends to merge another credit institution by acquisition shall apply for authorisation referred to in Article 89, paragraph (2) of this Act in order to ensure the continuance of operations through a branch at least one year prior to the merger.

(15) A third-country credit institution formed by merger by formation with a credit institution having its head office in the Republic of Croatia shall within 15 days of the merger by formation apply to the Croatian National Bank for authorisation referred to in Article 89, paragraph (2) of this Act in order to ensure the continuance of operations through a branch at least one year prior to the merger."

Article 28

In Article 64, before the words "The Croatian National Bank" a paragraph reference is inserted which reads "(1)".

After paragraph (1), paragraph (2) is added which reads:

"(2) The Croatian National Bank shall refuse an application for authorisation of a credit institution for merger by acquisition to a third-country credit institution if it refused the application for authorisation of such credit institution to establish a branch of a third-country credit institution in accordance with Article 90, paragraph (4) of this Act."

Article 29

Article 65 is amended to read:

"(1) An application for authorisation shall be accompanied by the documentation prescribed by the Croatian National Bank in the subordinate legislation referred to in paragraph (7) of this Article.

(2) The application referred to in paragraph (1) of this Article shall be accompanied by:

– an application to acquire a qualifying holding and documentation referred to in Article 28, paragraph (5) of this Act;

– the application referred to in Article 39, paragraph (2) and Article 40 of this Act with a proposal for the chairperson and members of the management board and documentation referred to in Article 39, paragraph (4) of this Act; and

– the application referred to in Article 46, paragraph (2) of this Act with a proposal for supervisory board members and documentation referred to in Article 46, paragraph (4) of this Act.

(3) Where a credit institution intends to provide financial services in addition to banking services, it shall specify the types of financial services it intends to provide in the application for authorisation.

(4) A credit institution intending to provide additional financial services referred to in Article 8, paragraph (2), items (2), (3) and (5) of this Act, shall deliver to the Croatian National Bank documentation prescribed in a special law.

(5) Prior to granting the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank shall consult and exchange information with the competent authorities of the Member States pursuant to Article 24, paragraph (9) of this Act, particularly regarding the suitability of an acquirer of a qualifying holding, the reputation, appropriateness of skills and experience of management and supervisory board members of undertakings within the same group.

(6) The Croatian National Bank shall be competent to obtain evidence regarding the legal or natural persons assessed when deciding on the application for authorisation that they have not been convicted of a minor offence, information on whether criminal or minor offence proceedings have been initiated against them, and evidence that they have not been convicted by a judgement with final force and effect of any of the criminal and minor offences committed in the Republic of Croatia or criminal offences committed in a Member State from the criminal history records and minor offence records, based on a reasoned explanation for each request from the records, or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act.

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

Article 30

The title above Article 67 is amended to read: "*Granting applications for authorisation*"

In Article 67, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall grant an application for authorisation where the following conditions are met:

1) if for a holder 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 29 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 close links between the credit institution and other legal or natural persons with head offices or domicile or normal place of residence in a third country whose regulations prevent the exercise of supervision or where there are 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 meet the criteria referred to in Article 38 or Article 40 of this Act or if the persons recommended for supervisory board members meet the criteria referred to in Article 45 of this Act;

5) if the initial capital of the credit institution complies with Article 19 of this Act and if it is evident that 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;

6) if it is evident that the credit institution will have physical presence in the Republic of Croatia or that its business will be directed from the territory of the Republic of Croatia;

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

8) if it is evident from the 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; or

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

Article 31

The title above Article 69 is amended to read: "*Reasons for revocation of authorisation*".

Article 69 is amended to read:

"(1) The Croatian National Bank shall revoke a decision on authorisation:

1) where a credit institution does not commence its activities within 12 months of the issue of authorisation;

2) where a credit institution submits a written notification to the Croatian National Bank stating that it no longer intends to provide the banking and/or financial services for which authorisation has been granted;

3) where a credit institution ceases to provide banking services for more than six months.

(2) The Croatian National Bank may revoke a decision on authorisation:

1) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four or Six of Regulation (EU) No 575/2013 or the own funds requirements imposed by

a decision of the Croatian National Bank under Articles 224 and 228 of this Act or the specific liquidity requirements under Articles 224 and 225 of this Act;

2) 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 by its depositors;

3) where a credit institution fails to meet internal capital requirements and other operating conditions in accordance with regulations on risk management;

4) where a credit institution repeatedly fails to meet reporting requirements of the Croatian National Bank in a timely and accurate manner within a three year period;

5) where a credit institution prevents supervision of its operation in any manner whatsoever;

6) where a credit institution fails to implement supervisory measures imposed by a decision of the Croatian National Bank;

7) where there are reasons for revocation of approval to acquire a qualifying holding referred to in Article 32 of this Act;

8) where a credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;

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

10) where a credit institution fails to act in accordance with Article 151, paragraph (2), item (5) and paragraph (3), item (2) of this Act;

11) where a credit institution fails to establish governance arrangements as provided under Article 101 of this Act and subordinate legislation adopted under this Act;

12) where a credit institution fails to report information or provides incomplete or inaccurate information on compliance with the obligation to meet own funds requirements set out in Article 92 of Regulation (EU) No 575/2013 to the Croatian National Bank in breach of Article 99, paragraph (1) of that Regulation;

13) where a credit institution fails to report information or provides incomplete or inaccurate information to the Croatian National Bank in relation to the data referred to in Article 101 of Regulation (EU) No 575/2013;

14) where a credit institution fails to report information or provides incomplete or inaccurate information about large exposures to the Croatian National Bank in breach of Article 394, paragraph (1) of Regulation (EU) No 575/2013;

15) where a credit institution fails to report information or provides incomplete or inaccurate information on liquidity to the Croatian National Bank in breach of Article 415, paragraphs (1) and (2) of Regulation (EU) No 575/2013;

16) where a credit institution fails to report information or provides incomplete or inaccurate information on the leverage ratio to the Croatian National Bank in breach of Article 430, paragraph (1) of Regulation (EU) No 575/2013;

17) where a credit institution repeatedly or persistently fails to meet liquid assets requirements in breach of Article 412 of Regulation (EU) No 575/2013;

18) where a credit institution breaches the provisions on exposure limits set out in Article 395 of Regulation (EU) No 575/2013;

19) where a credit institution 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;

20) where a credit institution fails to disclose information or provides incomplete or inaccurate information in breach of Article 431, paragraphs (1), (2) and (3) or Article 451, paragraph (1) of Regulation (EU) No 575/2013;

21) where a credit institution makes payments to holders of instruments included in the calculation of own funds of the institution in breach of Article 140 of this Act or in cases where Articles 28, 51 or 63 of Regulation (EU) No 575/2013 prohibit such payments;

22) where a credit institution is found liable by a judgement with final force and effect for a material breach of the provisions governing the prevention of money laundering and terrorist financing;

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

24) where a credit institution obtained authorisation on the basis of false or inaccurate documentation or false presentation of data relevant to its operation.

(3) In the dispositive part of the decision referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall state that the dispositive part of the decision shall be publicly disclosed.

(4) By way of derogation from paragraphs (1), (2) and (3), the Croatian National Bank may not revoke a decision on authorisation to a credit institution from the moment the State Agency for Deposit Insurance and Bank Resolution adopts a decision to open resolution proceedings until the moment it adopts a decision on the completion of resolution proceedings."

Article 32

In Article 70, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall issue a decision on the unavailability of deposits when it determines that the credit institution concerned cannot or will not be able to, for reasons which are directly related to its financial situation, repay a deposit that is due and payable as defined in the law governing deposit insurance, but was not repaid by the credit institution in accordance with the provisions of the law or terms of the agreement applicable in that case."

In paragraph (3) the words "annulled or" are deleted.

After paragraph (5), a new paragraph (6) is added which reads:

"(6) By way of derogation from paragraph (1) of this Article, where the State Agency for Deposit Insurance and Bank Resolution during resolution proceedings determines the existence of conditions to adopt a decision on the unavailability of deposits, it will adopt a decision on existence of conditions for the adoption of a decision on the unavailability of deposits referred to in paragraph (1) of this Article. The State Agency for Deposit Insurance and Bank Resolution shall without delay deliver the decision to the Croatian National Bank which shall, based on that decision, without special proceedings, issue a decision on the unavailability of deposits within three working days."

Article 33

The title above Article 71 is amended to read: "*Decision to revoke authorisation*".

In Article 71, paragraph (1), after the words: "decision on" the words "annulled or" are deleted.

Article 34

Article 73 is amended to read:

(1) The Croatian National Bank shall revoke a decision on authorisation to provide financial services:

1) where a credit institution obtained authorisation on the basis of false or inaccurate documentation or false presentation of data relevant to its operation;

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

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

(2) The provisions of Article 71 of this Act shall apply *mutatis mutandis* to revocation of authorisation to provide financial services.

Article 35

Article 75 is amended to read:

"(1) A credit institution having its head office in the Republic of Croatia that intends to establish a branch within the territory of another Member State shall submit an application for authorisation to the Croatian National Bank, stating the Member State where it intends to establish the branch and shall submit the following information:

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 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 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 of the credit institution for the establishment of a branch (hereinafter referred to as 'authorisation to establish a branch in a Member State') at the latest within 60 days of the delivery date of the complete and accurate information referred to in paragraph (1) of this Article and shall notify the credit institution and the State Agency for Deposit Insurance and Bank Resolution accordingly.

(5) After the issuance of the authorisation referred to in paragraph (4) of this Article, the Croatian National Bank shall without delay, within the time limit of three months of the delivery date of the complete and accurate information referred to in paragraph (1) of this Article, 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 credit institution accordingly.

(6) The Croatian National Bank shall refuse the credit institution's application 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 adopt subordinate legislation to further regulate the authorisation procedure referred to in paragraph (4) of this Article."

Article 36

In Article 76, paragraphs (2), (3), (4) and (5) are amended to read:

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

1) the information referred to in Article 75, paragraph (1) of this Act, in the scope and manner referred to in Article 75, paragraph (2) of this Act;

2) the documentation verifying compliance with the conditions referred to in Article 84, 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 amounts calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013 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 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 set out in Article 84, paragraph (1) of this Act and, if it assesses that the conditions set out in Article 84, paragraph (1) of this Act have been met, it shall supply the financial institution with a certificate of compliance through the parent credit institution, all within the set time limit of 60 days.

(5) The Croatian National Bank shall without delay deliver 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 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 consolidate own funds requirements of the group of credit institutions in the Republic of Croatia (hereinafter referred to as '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 calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013."

Article 37

In Article 78, paragraph (1), before the words "A credit institution" a paragraph reference is inserted which reads "(1)".

After paragraph (1), paragraph (2) is added which reads:

"(2) The notification referred 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."

Article 38

In Article 80, paragraphs (3) and (4) are amended to read:

"(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) 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 thereof."

Article 39

In Article 82, paragraph (1), after the words "that intends to establish a representative office" the words "in a third country" shall be inserted.

Article 40

In Article 84, paragraph (3), the words "Articles 192 to 197" are replaced by the words "Articles 192 to 198".

Article 41

Article 85 is amended to read:

"(1) A credit institution of another Member State or the financial institution referred to in Article 84 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, the credit institution from another Member State or the financial institution referred to in Article 84 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 must meet when providing services within the territory of the Republic of Croatia.

(3) A credit or financial institution referred to in paragraph (1) of this Article 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 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 does not meet any of the conditions referred to in Article 84, paragraph (1) of this Act, the regulations governing the operation of financial institutions in the Republic of Croatia shall apply to the operation of the financial institution. In this case, the Croatian National Bank shall forward the notification in question to the supervisory authority in the Republic of Croatia."

Article 42

The title above Article 86 and Article 86 are deleted.

Article 43

Article 87 is amended to read:

"A credit institution of another Member State or the financial institution referred to in Article 84 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 from the competent authority of that Member State, including a list of services it intends to provide within the territory of the Republic of Croatia."

Article 44

Article 88 is amended to read:

"(1) The provisions of this Act and of regulations adopted under this Act relating 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 obligation of banking secrecy (Articles 156 to 158);
- 2) supervision of credit institutions;
- 3) consumer protection (Articles 300 to 312).

(2) The provisions of this Act and of regulations adopted under this Act relating 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) sale of placements (Article 150, paragraphs (5) and (8));
- 2) reporting at the request of the Croatian National Bank (Article 153);
- 3) the obligation of banking secrecy (Articles 156 to 158);
- 4) supervision of credit institutions;
- 5) annual supervision fees (Article 200); and
- 6) consumer protection (Articles 300 to 312).

(3) The credit institution referred to in paragraph (1) of this Article and the branch of a credit institution referred to in paragraph (2) of this Article shall also comply with other regulations which, in the interests of the general good, apply within the territory of the Republic of Croatia."

Article 45

In Article 90, paragraph (4), item (4), after the words "connected with" the words "money laundering or" are inserted.

Article 46

In Article 94, paragraph (3), item (2) is amended to read:

"2) there is reasonable doubt that the third-country credit institution is, in any way whatsoever, connected with money laundering or terrorist financing."

Article 47

In Article 96, paragraph (2), item (2) is amended to read:

"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."

Article 48

In Article 102, after paragraph (2), paragraph (3) is added which reads:

"(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements related to the organisational structure."

Article 49

In Article 114, after paragraph (3), paragraphs (4), (5) and (6) are added which read:

"(4) 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 from the Croatian National Bank to classify capital instruments as additional tier 1 capital instruments or tier 2 capital instruments.

(5) The Croatian National Bank shall grant the permission referred to in paragraph (4) of this Article if the capital instrument meets the prescribed requirements.

(6) The Croatian National Bank shall lay down the documentation to be delivered by the credit institution together with the application for the permission referred to in paragraph (4) of this Article and the application for the permission referred to in Article 26, paragraph (3) of Regulation (EU) No 575/2013."

Article 50

Article 115 is amended to read:

"(1) Credit institutions that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities shall, 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, 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:

- a) where their exposures are material in absolute terms, and
- b) where they have at the same time a large number of material counterparties.

(2) Credit institutions that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities shall, without prejudice to the fulfilment of the criteria laid down in Part Three, Title IV, Chapter 5, Sections 1 to 5 of Regulation (EU) No 575/2013, take appropriate measures to develop internal specific 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 and migration risk:

- a) where their exposures are material in absolute terms, and
- b) where they have a large number of material positions in debt instruments of different issuers.

(3) Significant credit institutions shall not solely rely on external credit ratings for assessing the creditworthiness of a client or financial instrument."

Article 51

In Article 117, paragraph (3) is amended to read:

"(3) Where a credit institution fails to meet the requirement under paragraph (1) of this Article, it shall apply the provisions of Article 140, paragraphs (2), (3) and (5) and Article 143 and, where appropriate, Article 143a of this Act."

Article 52

In Article 118, paragraph (3) is amended to read:

"(3) Where a credit institution fails to meet the requirement under paragraph (1) of this Article, it shall apply the provisions of Article 140, paragraphs (2), (3) and (5) and Article 143 and, where appropriate, Article 143a of this Act."

Article 53

In Article 125, after paragraph (7), paragraph (8) is added which reads:

"(8) When recognising the countercyclical buffer rate referred to in Article 124 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."

Article 54

In Article 130, paragraph (3) is amended to read:

"(3) The provisions of Article 140, paragraphs (2), (3) and (5) and Article 143 and, where appropriate, of Article 143a of this Act shall apply to credit institutions that fail to meet the requirements referred to in paragraph (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 structural systemic risk, the Croatian National Bank may take additional measures in accordance with this Act."

Article 55

In Article 131, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall set the structural systemic risk buffer rate equal to at least 1% of the exposure to which the structural systemic risk buffer rate is applied in a decision referred to in Article 129, paragraph (1) of this Act. The structural systemic risk buffer rate may be applied to exposures in the Republic of Croatia, another Member State or a third country as multiples of 0.5 percentage points. The rate may be different for different subsets of credit institutions."

In paragraph (2), the Croatian word translated as "decides" is replaced by the same Croatian word in another form, with no relevance to the English translation.

Article 56

In Article 132, paragraph (1), after the words "up to 3%" a comma is inserted and the words "including 3%" and the words "of the total risk exposure amount" are replaced by the words "based on exposure".

Paragraph (3) is amended to read:

"(3) If the Croatian National Bank intends to set or reset the structural systemic risk buffer rate in the Republic of Croatia and third countries to between 3% and 5%, it will act in accordance with paragraphs (1) and (2) of this Article. The Croatian National Bank may apply the intended structural 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 so doing."

In paragraph (9), after the word "above 5%" and after the words "above 3%" the words "of the total risk exposure amount" are deleted.

Article 57

In Article 135, paragraphs (2) and (3) are amended to read:

"(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) G-SIIs may be the following systemically important entities whose distress or dissolution may create a global systemic risk:

- 1) an EU parent credit institution having its head office in the RC;
- 2) an EU parent financial holding company having its head office in the RC;
- 3) an EU parent mixed financial holding company having its head office in the RC;
- 4) a credit institution which is not a subsidiary of an EU parent credit institution, an EU parent financial holding company or an EU parent mixed financial holding company."

Article 58

In Article 137, paragraphs (2) and (3) are amended to read:

"(2) The Croatian National Bank shall be the designated authority for identifying O-SIIs under Article 131, paragraph (1) of Directive 2013/36/EU.

(3) O-SIIs may be the following systemically important entities whose distress or dissolution may create a systemic risk in the Republic of Croatia:

- 1) an EU parent credit institution having its head office in the RC;
- 2) an EU parent financial holding company having its head office in the RC;
- 3) an EU parent mixed financial holding company having its head office in the RC; or
- 4) a credit institution."

In paragraph (5), after the words "the Croatian National Bank" the words "taking into account paragraph (6) of this Article and Article 139 of this Act" are added.

In paragraph (6) in the introductory sentence and in item (2) the word "level" is replaced by the word "basis".

Paragraph (8) is amended to read:

"(8) The Croatian National Bank shall notify the names of the O-SIIs to the European Commission, the European Systemic Risk Board and the European Banking Authority. The Croatian National Bank shall publicly disclose on its website the names of the O-SIIs and the O-SII buffer rate."

Article 59

In Article 138, paragraph (4) is amended to read:

"(4) The Croatian National Bank shall review annually the identification of O-SIIs. The Croatian National Bank shall report the result to the O-SII concerned, to the European Commission, the European Systemic Risk Board and the European Banking Authority. The Croatian National Bank shall publicly disclose on its website the updated list of the O-SIIs and the O-SII buffer rate."

After paragraph (5), paragraph (6) is added which reads:

"(6) The Croatian National Bank shall disclose on its website at least the important elements of the identification methodology for O-SIIs and for setting the O-SII buffer rate."

Article 60

In Article 143, after paragraph (6), paragraph (7) is added which reads:

"(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."

Article 61

After Article 143, Article 143a and its title are inserted, which read:

"Capital conservation measures in case the combined buffer requirement is not met on a consolidated basis"

Article 143a

(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 140 to 142 of this Act *mutatis mutandis* on an individual basis; and
- 2) Article 143 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 140 to 142 of this Act so that the maximum distributable amount is considered the lower of the following amounts:

- a) the amount calculated by applying Article 140 of this Act; or
- b) the amount calculated by applying paragraph (1), item (1) of this Article.

2) Article 143 of this Act *mutatis mutandis* on a consolidated basis for a group of credit institutions in the RC.

(3) By way of derogation from paragraph 143 of this Act, a member of a group of credit institutions in the RC that fails to meet the combined capital requirement on an individual basis shall not be obligated to create a capital conservation plan in 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 requirement buffer on an individual basis.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements laid down in Articles 140 to 143 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."

Article 62

Article 144 is amended to read:

"(1) A credit institution and a parent credit institution shall report to the Croatian National Bank the capital buffers referred to in Articles 117, 118, 130, 135 and 137 of this Act and the capital conservation measures referred to in Articles 140 to 143a of this Act in the manner and within the time limits provided for in the subordinate legislation referred to in paragraph (2) of this Article.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of and time limits for reporting on the capital buffers referred to in Articles 117, 118, 130, 135 and 137 of this Act and the capital conservation measures referred to in Articles 140 to 143a of this Act."

Article 63

In Article 146, paragraph (1), item (3) is amended to read:

"3) the person responsible for the 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 anti-money laundering."

In paragraph (2), the introductory sentence is amended to read:

"(2) Persons in a special relationship with a credit institution referred to in paragraph (1), items (1) to (7) of this Article shall also be:"

Article 64

In Article 146a, paragraph (2) is amended to read:

"(2) Each individual legal arrangement with a person referred to in Article 146 of this Act resulting in or increasing the total exposure of a credit institution that exceeds HRK 50 000 may be incurred only by a unanimous decision of all management board members and subject to prior approval of the supervisory board. Exceptionally, 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."

After paragraph (2), paragraph (3) is added which reads:

"(3) By way of derogation from paragraph (2) of this Article, where the type of business or incurrance 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 146 of this Act, and not to all such persons in general; and

2) it is granted for a maximum period of six months 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."

Article 65

In Article 146b, paragraph (3) is deleted:

Article 66

In Article 147, before the words "prior approval" a paragraph reference is inserted which reads "(1)".

After paragraph (1), a new paragraph (2) is added which reads:

"(2) A member of a group of credit institutions in the RC shall require prior approval of the supervisory board of an RC parent credit institution and of an EU parent credit institution having its head office in the RC before concluding a legal arrangement that might result in the large exposure of group of credit institutions in the RC to a single person or group of connected clients. Prior approval of the supervisory board shall also be required before concluding a legal arrangement as a result of which the large exposure of a group of credit institutions 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 the eligible capital of a group of credit institutions in the RC."

Article 67

In Article 148, paragraph (2) is amended to read:

"(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:

- after acquisition, in exchange for its claims during the process of financial reconstruction;
- 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;
- in the course of bankruptcy or foreclosure proceedings; and
- through the realisation of collateral received pursuant to the Foreclosure Act."

Article 68

In Article 149, paragraphs (1) and (2) are amended to read:

"(1) A credit institution shall obtain prior approval of the Croatian National Bank before establishing an undertaking or concluding a legal arrangement that would make it, gradually or immediately, the direct or indirect holder of a holding of 20% or more in another legal person, if the holding exceeds 10% of the credit institution's eligible capital.

(2) A credit institution shall obtain prior approval of the Croatian National Bank before establishing an undertaking or concluding a legal arrangement that would make it the direct or an indirect holder of a majority holding in the capital or of a majority of the voting rights in another legal person."

Paragraph (4) is amended to read:

"(4) A credit institution shall notify the Croatian National Bank of all changes in the activity of legal persons 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."

After paragraph (5), paragraphs (6) and (7) are added, which read:

"(6) The rules of determining the size of the holding by an indirect acquirer shall be applied for the purposes of determining the amount of the direct holding referred to in this Article in accordance with subordinate legislation referred to in Article 28, paragraph (5) of this Act.

(7) For the purposes of this Article, an indirect acquirer shall be a legal person that is a subsidiary of the credit institution's subsidiary."

Article 69

In Article 150, paragraph (6), after the words "special administration" the words "or resolution administration" are inserted.

After paragraph (7), a new paragraph (8) is added which reads:

"(8) Where in the sale of placements referred to in this Article the claim is transferred by assignment and the debtor is notified thereof in accordance with the law regulating civil obligations, the credit institution shall in addition to the notification of the assignment of claim deliver to the debtor a report on the total debt balance as at the date of the transfer of the claim and the debt structure broken down by the following items: principal, interest, fees and charges and other costs."

Article 70

In Article 151, paragraph (2), item (6), the words "or holding referred to in Article 24 of this Act" are deleted.

Article 71

Article 152 is amended to read:

"The Croatian National Bank shall collect information in accordance with Article 450, paragraph (1), items (g), (h) and (i) of Regulation (EU) No 575/2013 and shall use it to detect benchmark remuneration trends and practices of credit institutions."

Article 72

After Article 152, Article 152a and its title are inserted which read:

"Benchmark remuneration trends related to diversity

Article 152a

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."

Article 73

In Article 154, after paragraph (13), paragraph (14) is added which reads:

"(14) By way of derogation from paragraph (1) of this Article, a credit institution under resolution shall not be obligated to draw up or update its recovery plan."

Article 74

In Article 157, paragraph (3), item (24), the words "pursuant to" are replaced by the words "in connection with the implementation".

Article 75

In Article 160, paragraph (4), after the words "years" the words "starting from the last day of the business year to which the business books relate" are added.

Article 76

Article 162 is amended to read:

"(1) The Croatian National Bank shall adopt subordinate legislation to further regulate the form and content of a credit institution's financial statements and other reports for the purposes of the Croatian National Bank, and the method of and time limits for their delivery to the Croatian National Bank.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the scope and content of financial statements and other data provided by branches of credit institutions of other Member States, and the method of and time limits for disclosure or delivery of such statements and other data to the Croatian National Bank.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the scope and content of financial statements and other data provided by branches of third-country credit institutions and the method of and time limits for disclosure or delivery of such statements and other data to the Croatian National Bank.

(4) A credit institution, a branch of a credit institution of another Member State and a branch of a third-country credit institution shall deliver to the Croatian National Bank financial

statements and other reports in the form and content provided for in the subordinate legislation adopted under this Article."

Article 77

Article 163 is amended to read:

"(1) A credit institution shall deliver to the Croatian National Bank the following reports within 15 days of receipt of the audit report and at the latest within four months, and an O-SII at the latest within three months, following the end of the business year to which the annual financial statements relate:

1) a report on the statutory audit of annual financial statements of a group of credit institutions in the Republic of Croatia, including such financial statements;

2) annual and consolidated annual report, in accordance with the regulations governing accounting;

3) an audit report for the purposes of the Croatian National Bank referred to in Article 174 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 accounting.

(3) A credit institution shall publish its annual report on its website and make it available at the latest within five months, and an O-SII at the latest within four months, following the end of the business year to which the report relates.

(4) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall publish a consolidated annual report of a group as laid down in the regulation governing accounting in the manner and within the time limit referred to in paragraph (3) of this Article.

(5) A branch of a credit institution of another Member State and a branch of a third-country credit institution shall at the latest within 45 days of the expiry of the time limit for disclosure of these reports in the country where the founder has its head office publish on its website in the Croatian language audit financial statements and audited consolidated annual financial statements of their founder and the annual report of their founder, including the audit report

(6) The statements referred to in paragraph (5) of this Article shall be prepared and subject to an audit requirement in accordance with the regulations of the country where the founder has its head office."

Article 78

In Article 164, paragraph (1), the introductory sentence and item (1) are amended to read:

(1) Within the time limit referred to in Article 163, 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;"

Paragraph (2) is amended to read:

"(2) The information referred to in paragraph (1) of this Article shall be audited and published as attachment to annual financial statements and, where applicable, consolidated annual financial statements."

Article 79

In Article 167, paragraph (1), after the words "An RC parent credit institution" a comma is inserted and is followed by the words "an EU parent credit institution having its head office in the RC and the credit institution referred to in Article 97, paragraph (2) of this Act".

Paragraph (3) is amended to read:

"(3) Credit institutions shall, at least annually, publish and regularly update information referred to in this Article on their websites."

Article 80

Article 168 is amended to read:

"(1) Annual financial statements of a credit institution, consolidated annual financial statements of a group of credit institutions in the Republic of Croatia and consolidated annual financial statements of the group, where group members include non-financial institutions, shall be subject to the statutory audit requirement for each business year.

(2) The audit referred to in paragraph (1) of this Article shall be carried out in accordance with the regulations of the Republic of Croatia and EU law governing accounting and auditing, unless otherwise provided for in this Act and regulations adopted under this Act."

Article 81

Article 169 is amended to read:

"(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 may enter a contract for the provision of audit services only with an audit firm that meets the conditions referred to in Article 170, paragraph (2) 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 carrying out of the statutory audit, indicating the areas of operation in which statutory audits will be carried out and the methodology of statutory audits planned by individual area, as well as the envisaged duration of audit."

Article 82

The title above Article 170 is amended to read: "*Restrictions on statutory audits*"

Article 170 is amended to read:

"(1) An audit firm may carry out statutory audits of a particular credit institution for no more than seven consecutive years. The same audit firm may not carry out the statutory audit of the credit institution in the next four years.

(2) 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.

(3) 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) Exceptionally, in the case referred to in Article 174, paragraph (4), item (2) of this Act, a statutory audit of the credit institution and an audit for the purposes of the Croatian National Bank may be carried out by two different audit firms."

Article 83

Article 171 is amended to read:

"(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 explain 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 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 financial year immediately preceding the period 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."

Article 84

In Article 172, paragraph (1) is deleted.

The former paragraph (2) becomes paragraph (1).

In the former paragraph (3), which becomes paragraph (2), the words "paragraph (2)" are replaced by the words "paragraph (1)".

The former paragraph (4) becomes paragraph (3) and is amended to read:

"(3) The delivery to the Croatian National Bank of the information referred to in paragraphs (1) to (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."

After the former paragraph (4), which becomes paragraph (3), a new paragraph (4) is added, which reads:

"(4) If an audit firm notifies the Croatian National Bank of the facts and circumstances referred to in paragraph (1) of this Article in line 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."

Article 85

The title above Article 173 is amended to read: "*Dismissal and refusal of annual financial statements*".

Article 173 is amended to read:

"(1) Where an audit firm carries out a statutory audit of a credit institution contrary to Article 170 of this Act, the Croatian National Bank shall dismiss the annual financial statements of a 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 a financial position and performance of a credit institution or a group, or a group of credit institutions that received an unqualified or a qualified opinion in the audit report, it will refuse the annual financial statements or annual consolidated financial statements.

(3) In the case referred to in paragraphs (1), (2) and (6) 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. 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 dismissed or refused.

(4) The consequence of the dismissal referred to in paragraphs (1) and (6) of this Article or refusal referred to in paragraphs (2) and (6) of this Article shall be the dismissal of the assessment referred to in Article 174 of this Act. In that case the Croatian National Bank shall require from the credit institution that the assessment referred to in Article 174 of this Act be given by the certified auditors of another audit firm at the expense of the credit institution.

(5) The Croatian National Bank shall without delay notify the authority competent for the supervision of persons certified to provide audit services under the law governing audit of the dismissal referred to in paragraph (1) of this Article or refusal referred to in paragraph (2) of this Article, explaining the reasons for dismissal or refusal.

(6) Where the authority competent for the supervision of persons certified to provide audit services 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.

(7) A credit institution shall not disclose annual financial statements or annual consolidated financial statements that have been dismissed or refused and shall ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed. Where annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, the credit institution shall without delay notify the Financial Agency and regulated securities markets where the 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.

(8) The Croatian National Bank shall adopt subordinate legislation to further regulate the refusal of annual financial statements of a credit institution or annual consolidated financial statements and further regulate the procedure of and the manner of application of the provisions of this Article."

Article 86

In Article 174, paragraph (2), the words in brackets "completely satisfactory, satisfactory, unsatisfactory, and completely unsatisfactory" are replaced by the words "satisfactory, mostly satisfactory, partly satisfactory, and unsatisfactory".

In paragraph (4) in the introductory sentence the comma before the words and the words "the law governing audits and rules of the auditing profession" are deleted.

Paragraph (5) is amended to read:

"(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 annual consolidated financial statements for that year which received an unqualified or a qualified opinion in the audit report."

After paragraph (5), a new paragraph (6) is added which reads:

"(6) The provisions of Articles 168 to 173 of this Act shall apply *mutatis mutandis* to audits."

The former paragraph (6) becomes paragraph (7).

Article 87

In Article 175, paragraph (1) is deleted.

Former paragraphs (2) and (3) become paragraphs (1) and (2).

After the former paragraph (3), which becomes paragraph (2), a new paragraph (3) is added, which reads:

"(3) By way of derogation from paragraphs (1) and (2) 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 entire resolution proceedings or until the completion of resolution proceedings."

Article 88

Article 177 is amended to read:

"(1) The Croatian National Bank shall exercise oversight of credit institutions with regard to the implementation of:

- Title XXIII of this Act governing consumer protection and regulations adopted under that Title of this Act;
- the Act on the Croatian National Bank and regulations adopted under that Act;
- the Payment System Act and regulations adopted under that Act;
- the Electronic Money Act and regulations adopted under that Act; and
- other laws and regulations adopted under these laws, for which it is competent under these laws.

(2) The provisions of this Act regarding supervision shall apply *mutatis mutandis* to the oversight procedure referred in paragraph (1) of this Article, unless otherwise prescribed by another law.

(3) When exercising the oversight referred to in paragraph (1) of this Article, the Croatian National Bank may, in addition to the measures laid down by the laws referred to in paragraph (1) of this Article, impose both supervisory and other measures laid down in this Act.

(4) When exercising the oversight referred to in paragraph (1) of this Article, the Croatian National Bank may employ other forms of oversight it deems appropriate in addition to those laid down in Article 175, paragraph (1) of this Act in order to verify the legality of operation."

Article 89

In Article 180, paragraph (1), the introductory sentence is amended to read:

"(1) In the course of supervision, the Croatian National Bank shall verify the legality of the credit institution's operation, including the organisational structure, strategies, policies, processes and procedures adopted by the credit institution to comply with the provisions of this Act, except for the provisions of Title XXIII, with subordinate legislation adopted under 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:".

Article 90

In Article 181, paragraph (5), item (1) is amended to read:

"1) the exposure of credit institutions to the interest rate risk arising from non-trading activities, so that:

a) if it establishes that, as a result of a sudden and unexpected change in interest rates of 200 basis points or of a change as defined in the subordinate legislation governing the management of interest rate risk that was adopted by the Croatian National Bank, the economic value of the credit institution declines by more than 20% of the credit institution's own funds, the Croatian National Bank shall impose supervisory measures on that credit institution;

b) if it establishes that the negative impact on net interest income or profit is material in relation to the credit institution's own funds, the Croatian National Bank may order a credit institution to have additional own funds referred to in Article 224, paragraph (1), item (20) of this Act or some other supervisory measure".

Article 91

In Article 183, paragraph (1), the words "paragraph (2)" are replaced by the words "paragraph (1)".

In paragraph (2) the words "paragraph (2)" are replaced by the words "paragraph (1)".

Article 92

In Article 188, after paragraph (6), paragraph (7) is added which reads:

"(7) 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."

Article 93

In Article 190, paragraph (1) is amended to read:

"(1) A report on examination findings shall be prepared following the examination of a credit institution's operations referred to in Article 175, paragraph (1), items (1) and (2), as well as after the assessment of a credit institution referred to in item (4) of the same paragraph."

In paragraph (3) the words "paragraph (2)" are replaced by the words "paragraph (1)".

Article 94

After Article 190, Title XVI.2.1 and its title are inserted, as well as a title above Article 190a and Article 190a, which read:

"XVI.2.1 SUPERVISION OF CREDIT INSTITUTIONS PROVIDING SERVICES IN ANOTHER MEMBER STATE THROUGH BRANCHES OR DIRECTLY

Cooperation as regards the supervision of credit institutions providing services in the territories of other Member States through branches

Article 190a

(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.

(2) The Croatian National Bank shall deliver to the competent authority of the host Member State:

1) all information concerning the management and ownership structure of a credit institution that is likely to facilitate supervision;

2) all information concerning the examination of the conditions governing the issue of authorisations or approvals of other supervisory authorities; and

3) 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 systems.

(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 without delay notify the competent authorities of all host Member States where liquidity stress occurs or can reasonably be expected to occur in a credit institution. That notification shall also include details about the planning and implementation of a recovery plan and about any supervisory measures taken in this regard.

(5) The Croatian National Bank shall, at the request of the competent authorities of a host Member State, explain the manner in which it took into consideration the received information and findings delivered by that competent authority of a host Member State. 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, 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.

(6) Where the Croatian National Bank as the competent authority of the home Member State disagrees with the measures referred to in paragraph (5) of this Article taken 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. The European Banking Authority shall take a decision within one month.

(7) 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."

Article 95

The title above Article 191 is amended to read: "*On-site examination of the branch in the host Member State*".

Article 191 is amended to read:

"(1) The Croatian National Bank or persons it has authorised for individual supervisory tasks may carry out an on-site examination, including the verification of the information referred to in Article 190a of this Act, of the credit institution operating within the territory of another Member State through a branch after notifying in advance the competent supervisory 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 examination of that

credit institution's branch or appoint a certified auditor or another professionally qualified person to carry out an on-site examination of the branch.

(3) The Croatian National Bank may participate in an on-site examination of the credit institution's branch situated in a Member State regardless of who carries out the on-site examination.

(4) Where the competent authorities of the host Member State carried out an on-site examination 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 182 of this Act, also having regard to the stability of the financial system in the host Member State."

Article 96

The title above Article 192 is amended to read: *"Measures against branches situated in host Member States as regards the provision of services within the territory of that Member State"*.

Article 192 is amended to read:

"(1) Where the competent authority of the host Member State in which a credit institution provides services through a branch, on the basis of information received from the Croatian National Bank in accordance with Article 190a, notifies the Croatian National Bank that the credit institution concerned, in connection with the provision of services within the territory of that Member State, does not comply with 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 decision to introduce reorganisation measures is adopted in the Republic of Croatia, without delay impose supervisory measures on the credit institution to remedy its non-compliance or measures to avert the risk of non-compliance and shall notify the competent authorities of the host Member State 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. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article 19, paragraph (3) of the Regulation within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1092/2010 assist in reaching an agreement.

(3) Where the competent authority of the host Member State that provides services through a branch has taken precautionary measures in connection with non-compliance 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. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article 19, paragraph (3) of the Regulation within 24 hours. 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."

Article 97

Article 193 is amended to read:

"Where the Croatian National Bank revokes authorisation to provide banking and/or financial services of a credit institution or prohibits the credit institution from providing individual financial services by imposing a supervisory measure, it shall without delay notify the competent authority of the host Member States."

Article 98

After Article 193, Article 193a and its title are inserted which read:

Supervision of credit institutions directly providing services in another Member State and financial institutions providing mutually recognised services within the territory of another Member State

Article 193a

(1) The provisions of Articles 190a to 193 of this Act shall apply *mutatis mutandis* to the supervision of credit institutions of other Member States directly providing services in another Member State.

(2) The provisions of this Title shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of another Member State in accordance with Article 84 of this Act."

Article 99

The title above Article 194 is amended to read: "*Powers of supervision*"

Article 194 is amended to read:

"(1) The supervision of the compliance of branches of credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia 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 credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia, in accordance with the powers referred to in this Title."

Article 100

After Article 194, Articles 194a and 194b and their titles are inserted which read:

"Powers to collect information and carry out on-site examinations of branches

Article 194a

(1) A branch of a credit institution having its head office in another Member State which provides 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 time limits provided for in the subordinate legislation referred to in Article 162, paragraph (2) of this Act.

(2) The Croatian National Bank shall be empowered 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 Article 201 and Articles 206 to 215 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 examination of the branch including the information referred to in Article 194a of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank in advance; or

2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out an on-site examination 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 examination 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 examination of a branch of a credit institution from another Member State and request all information on its operation, as well as information necessary for its supervision, where this is necessary for the purpose of maintaining the stability of the financial system of the Republic of Croatia. Before carrying out the examination from this paragraph, the Croatian National Bank shall consult the competent authorities of the home Member State.

(7) After the on-site examination referred to in paragraph (6) of this Article, the Croatian National Bank shall communicate to the competent authorities 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.

(8) The on-site examination 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.

(9) When imposing measures against branches of credit institutions of 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 194b

(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 that Member State through a branch.

(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 of a credit institution referred to in paragraph (1) of this Article that is likely to facilitate supervision;

2) all information concerning the examination of the conditions governing the issue of authorisations or approvals of competent authorities of the home Member State; and

3) 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 systems.

(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. Where, following communication of information and findings, 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 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.

(4) Where the competent authority of the home Member State disagrees with the measures referred to in paragraph (3) of this Article taken by the Croatian National Bank, 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.

(5) The Croatian National Bank may refer to the European Banking Authority 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."

Article 101

The title above Article 195 is amended to read: "*Supervisory measures of the competent authority of the home Member State in relation to the services provided in the Republic of Croatia*".

Article 195 is amended to read:

"(1) Where the Croatian National Bank on the basis of the information referred to in Article 162, paragraph (2), Articles 194 and 194a of this Act establishes that a credit institution of another Member State which provides services in the Republic of Croatia does not comply with 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, all in relation to the services the credit institution provides in the Republic of Croatia, the Croatian National Bank will notify the competent authority of the home Member State thereof.

(2) Where the Croatian National Bank considers that the competent authorities of the home Member State have 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 in accordance with paragraph (3) of the same Article within 24 hours. 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."

Article 102

The title above Article 196 is amended to read: "*Precautionary measures*".

Article 196 is amended to read:

"(1) Before initiating the procedure referred to in Article 195 of this Act and before the adoption of measures by the competent authorities of the home Member State or reorganisation measures referred to in Article 332 of this Act, 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. The Croatian National Bank shall without delay notify the competent authorities of the home Member State in question, the European Banking Authority and the European Commission of precautionary measures taken.

(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 interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia. Precautionary measures may include a suspension of payment. 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 less favourable position than creditors of the same credit institution from other Member States.

(3) Any precautionary measure 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 in accordance with Article 332 of this Act.

(4) 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 authorities of the home Member State have acted pursuant to the notification referred to in Article 195, paragraph (1) of this Act, unless they cease to have effect in accordance with paragraph (3) of this Article.

(5) 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 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 in accordance with paragraph (3) of the same Article within 24 hours. 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."

Article 103

The title above Article 197 is amended to read: "*Actions for preventing or punishing breaches and protecting the general good*".

Article 197 is amended to read:

"(1) By way of derogation from the provisions of Articles 195 and 196 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 or subordinate legislation transposing Directive 2013/36/EU 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 these regulations. These actions may include preventing the branch of a credit institution from another Member State to conclude new legal transactions within the territory of the Republic of Croatia.

(2) The provisions of Articles 621 to 623 of the Companies Act on the dissolution of companies shall apply *mutatis mutandis* to the dissolution of branches and the Croatian National Bank shall, in addition to the Government of the Republic of Croatia, act as an authorised prosecutor."

Article 104

After Article 197, Article 197a and its title are inserted which read:

"Measures following the withdrawal of authorisation

Article 197a

(2) The Croatian National Bank shall take appropriate measures to prevent a branch of a credit institution of another Member State which provides services in the Republic of Croatia, if the competent authorities of the home Member state revoked the founder's authorisation, from initiating further transactions within the territory of the Republic of Croatia in order to protect the interests of depositors."

Article 105

Article 198 is amended to read:

"(1) The provisions of Articles 193b to 197a of this Act shall apply *mutatis mutandis* to the supervision of credit institutions of other Member States directly providing services in the Republic of Croatia.

(2) The provisions of this Title shall also apply *mutatis mutandis* to financial institutions providing mutually recognised services within the territory of the Republic of Croatia in accordance with Article 84 of this Act."

Article 106

Article 202 and its title are deleted.

Article 107

The title above Article 203 is amended to read: "*Deciding on the status of a significant branch operating within the territory of the Republic of Croatia*".

In Article 203, paragraph (1) is amended to read:

"(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."

Paragraphs (4) and (5) are amended to read:

"(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 for the competent authorities concerned, they must be written and fully reasoned, and delivered to these authorities."

After paragraph (7), paragraphs (8) and (9) are added, which read:

"(8) The Croatian National Bank will cooperate with the competent authorities of the home Member State in which the credit institution from a Member State has a significant branch in the RC when planning and coordinating the activities referred to in Article 282, 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 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 194a and Article 282, paragraph (1), item (3) of this Act and the exchange of information referred to in Article 288, paragraph (5), item (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."

Article 108

In Article 204, paragraph (1) is amended to read:

"(1) If the Croatian National Bank as a consolidating supervisor receives a request from the competent authorities 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 authorities of the Member State concerned in reaching a joint decision on the designation of a branch as being significant."

Article 109

In Article 205, paragraph (1), the words "Article 202" are replaced by the words "Article 190a".

Article 110

In Article 206, paragraph (1), the words "to credit institutions" are replaced by the words "to the supervision of credit institutions".

In paragraph (3), item (1) is amended to read:

"1) 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, when requested or ordered in writing by the State Attorney's Office of the Republic of Croatia, by the competent court or the competent authority of another Member State;"

Article 111

In Article 214, paragraph (5), item (2), the comma after the word "the issue" and the words "annulment" and "annulment or" are deleted.

In item (4), after the words "i)" the words "and Article 435, paragraph (2), item (c)" are inserted.

In item (13), the word "and" at the end of the sentence is deleted.

In item (14), the full stop after the words "Member States" is deleted and the word "and" and a semicolon before it are inserted.

After item (14), a new item (15) is added which reads:

"15) all measures undertaken in accordance with Article 225 of this Act."

After paragraph (8), a new paragraph (9) is added which reads:

"(9) When notifying the European Banking Authority of the authorisations referred to in paragraph (5), item (2) of this Article, the Croatian National Bank shall deliver information on the deposit insurance scheme of which the credit institution is a member."

Article 112

In Article 215, paragraph (7), item (2), the word "or" at the end of the sentence is deleted.

In item (3), the full stop after the word "involved" is deleted and the word "or" and a semicolon before it are inserted.

After item (3), a new item (4) is added which reads:

"4) where the legal consequences of rehabilitation have arisen."

Article 113

In Article 216a, paragraph (2), item (5) after the words "of this paragraph" the words "with a head office outside the RC" are inserted.

Article 114

In Article 216f, paragraph (1), item (2), the word "and" is replaced by the word "or".

Article 115

The title above Article 221 is amended to read: "*Decisions in the course of examinations*"

Article 221 is amended to read:

"By way of derogation from Article 220 of this Act, the Croatian National Bank may adopt a temporary decision in the course of an examination and order the credit institution to take measures, which the credit institution shall implement without delay where:

1) authorised persons find in the course of the examination 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 a report on the examination findings is prepared or immediately thereafter 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 the examination of the credit institution."

Article 116

In Article 224, after paragraph (2), paragraphs (3), (4) and (5) are added which read:

"(3) If, in the exercise of supervision, the Croatian National Bank determines that credit institutions with similar risk profiles (e.g. similar business models or geographical location of exposure) are or might be exposed to similar risks or pose a similar risk to the financial system, it may use the same method of exercising supervision and impose equal supervisory measures. The Croatian National Bank shall notify the European Banking Authority thereof.

(4) The Croatian National Bank may identify the credit institutions referred to in paragraph (3) of this Article, applying in particular the criteria referred to in Article 181, paragraph (1), item (10) of this Act.

(5) In the case referred to in paragraph (3) of this Article, the Croatian National Bank shall adopt subordinate legislation to lay down additional prudential requirements and limits determining special conditions for the operation of credit institutions."

Article 117

In Article 240, after paragraph (2), paragraph (3) is added which reads:

"(3) On the date of the delivery of the decision to appoint a 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."

Article 118

Article 250 is amended to read:

"(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 meeting. The winding-up plan shall be delivered with the approval of the supervisory board of 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 decision refusing the winding-up plan.

(3) The Croatian National Bank shall refuse the winding-up plan where it assesses that the voluntary winding-up could be detrimental to the rights of the creditors or the financial system of the Republic of Croatia or identifies the existence of any reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan. The Croatian National Bank may impose appropriate measures on the credit institution.

(4) The general meeting 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.

(5) The decision of the general meeting on the dissolution of the undertaking shall not have legal effects and shall not be entered in the registered of companies without the positive opinion of the Croatian National Bank referred to in paragraph (2) of this Article on the winding-up plan.

(6) The credit institution shall specify the date of the initiation of voluntary winding-up proceedings in the decision of the general meeting on the dissolution of the undertaking, which must be set at the latest within five days of adopting the decision on the dissolution of the undertaking.

(7) As at the date of the decision on the dissolution of the undertaking, the credit institution referred to in paragraph (6) of this Article shall immediately notify the Croatian National Bank of the decision reached. 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 business day preceding the day of initiation of voluntary winding-up proceedings. After the transfer of assets, the Croatian National Bank shall close the accounts of the credit institution in voluntary winding-up proceedings.

(8) Where the credit institution fails to meet the obligation referred to in paragraph (7) 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.

(9) The liquidators shall publish the decision on the dissolution of the undertaking on the website of the credit institution in winding-up proceedings as at the date of initiation of the voluntary winding-up proceedings and shall without delay ensure the decision to be published in at least two newspapers published in the Republic of Croatia.

(10) The credit institution in voluntary winding-up proceedings shall obtain prior approval for any material changes to an approved winding-up plan.

(11) The liquidators shall deliver to the Croatian National Bank reports on the progress of voluntary winding-up proceedings.

(12) Credit institutions in voluntary winding-up proceedings shall create annual financial statements for each business year in the course of voluntary winding-up proceedings. The annual financial statements of credit institutions in winding-up proceedings shall be subject to statutory audit. For the purposes of this paragraph, a business year shall correspond to a calendar year.

(13) The Croatian National Bank shall adopt subordinate legislation to further regulate the content of the winding-up plan, the content of and time limits for the submission of the reports on the progress of voluntary winding-up proceedings referred to in paragraph (11) of this Article."

Article 119

The title above Article 253 is amended to read: "*Application of the provisions of this Act to credit institutions in voluntary winding-up proceedings*".

Article 253 is amended to read:

"(1) The provisions of this Act shall apply *mutatis mutandis* to credit institutions in voluntary winding-up proceedings.

(2) The expiry of the authorisation of a credit institution shall have the same legal consequences in relation to deposit insurance as the revocation of the credit institution.

(3) The provisions of the act governing the operation of undertakings shall apply to credit institutions undergoing voluntary winding-up proceedings, unless otherwise provided for in this Act.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of application of the provisions of this Act to credit institutions in voluntary winding-up proceedings and the obligations of credit institutions in voluntary winding-up proceedings."

Article 120

The title above Article 254 is amended to read: "*Establishment of the grounds for compulsory winding-up and bankruptcy*".

Article 254 is amended to read:

"(1) Where the credit institution in voluntary winding-up proceedings fails to implement the winding-up plan referred to in Article 250, paragraph (1) of this Act, and where the grounds for bankruptcy referred to in paragraph 266, item (1) or item (7) of this Act have not arisen, the Croatian National Bank may adopt a decision to initiate compulsory winding-up proceedings.

(2) The provisions of Articles 256 to 259 and the provisions of Articles 260 to 262b of this Act shall apply *mutatis mutandis* in the case referred to in paragraph (1) of this Article.

(3) Should liquidators assess in the course of voluntary winding-up proceedings of a credit institution that any of the grounds referred to in the Bankruptcy Act have arisen, they shall without delay submit a request to open bankruptcy proceedings against a credit institution in voluntary winding-up proceedings and shall immediately notify the Croatian National Bank thereof.

(4) Where it establishes the existence of the grounds for bankruptcy referred to in Article 266, item (1) or (7) of this Act for a credit institution in voluntary winding-up, the Croatian National Bank may submit a request to open bankruptcy proceedings.

(5) The provisions of Articles 264, 266, 269 and 271 to 275a of this Act shall apply *mutatis mutandis* in cases where the request to open bankruptcy proceedings against a credit institution in voluntary winding-up proceedings is submitted by the Croatian National Bank."

Article 121

Article 255 is amended to read:

"(1) The Croatian National Bank as the resolution authority shall adopt a decision to initiate the compulsory winding-up of a credit institution provided that the resolution plan identified that the resolution of the credit institution is not in the public interest or where the State Agency for Deposit Insurance and Bank Resolution as the resolution authority refuses the request of the Croatian National Bank to open bankruptcy proceedings against the credit institution, if the decision granting authorisation to the credit institution has been revoked or if the grounds for bankruptcy referred to in Article 266 of this Act have not arisen.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall adopt a decision to initiate compulsory winding-up proceedings at the same time as it adopts a decision to annul or revoke the credit institution's authorisation.

(3) The decision to initiate compulsory winding-up proceedings shall in its dispositive part stipulate the date, the hour and the minute of initiating compulsory winding-up proceedings that shall coincide with the moment when the decision is taken."

Article 122

In Article 259, after paragraph (3), paragraph (4) is added which reads:

"(4) On the date of the delivery of the decision to appoint a liquidator the 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 the prior approval to perform the function of a credit institution's supervisory board member."

Article 123

In Article 262, paragraph (3) is amended to read:

"(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of application of the provisions of this Act to credit institutions in compulsory winding-up proceedings and the obligations of credit institutions in compulsory winding-up proceedings."

Article 124

In Article 265, item (2) is amended to read:

"2) the State Agency for Deposit Insurance and Bank Resolution as the resolution authority refuses the request of the Croatian National Bank to initiate resolution proceedings of that credit institution."

Article 125

In Article 265a, paragraph (1), item (2) is amended to read:

"2) the State Agency for Deposit Insurance and Bank Resolution as the resolution authority refuses the request of the Croatian National Bank to initiate resolution proceedings of that credit institution."

Article 126

In Article 265b, paragraph (1), item (2) is amended to read:

"2) the State Agency for Deposit Insurance and Bank Resolution as the resolution authority refuses the request of the Croatian National Bank to initiate resolution proceedings of that credit institution."

In paragraph (3) the words "paragraph (6)" are replaced by the words "paragraph (5)".

Article 127

Article 266 is amended to read:

"Bankruptcy proceedings against a credit institution may be opened pursuant to the request to open bankruptcy proceedings submitted by the Croatian National Bank after establishing the existence of one of the following grounds for bankruptcy:

- 1) the assets of the credit institution are less than its liabilities;

2) the common equity tier 1 capital ratio of the credit institution is lower than 4.5% of total risk exposure amount of the credit institution;

3) the tier 1 capital ratio of the credit institution is lower than 6% of total risk exposure amount of the credit institution;

4) the total capital ratio of the credit institution is lower than 8% of total risk exposure amount of the credit institution;

5) the amount of own funds of a bank is less than HRK 40 million, or the amount of own funds of a savings bank is less than HRK 8 million, or the amount of own funds of a housing savings bank is less than HRK 20 million;

6) the credit institution is unable to pay its liabilities as they fall due, especially where the account of the credit institution has been blocked for longer than two working days under the order of the Financial Agency in accordance with the law governing the execution of cash assets;

7) where the Croatian National Bank issued a decision on the unavailability of deposits referred to in Article 70 of this Act, and the unavailability of deposits has not occurred due to the adoption of a decision on the submission of a request to open bankruptcy proceedings against a credit institution in accordance with Article 267 of this Act."

Article 128

In Article 267, after paragraph (13), new paragraph (14) is inserted which reads:

"(14) In accordance with Article 70 of this Act, the Croatian National Bank shall, at the latest on the first working day of the adoption of the decision of the Council of the Croatian National Bank to submit a request to open bankruptcy proceedings against the credit institution and of the effects of the decision referred to in paragraph (2) of this Article, issue a decision on the unavailability of deposits."

Former paragraphs (14) and (15) become paragraphs (15) and (16).

In the former paragraph (16), which becomes paragraph (17), the words "to protect the credit institution's assets" are replaced by the words "to fulfil the duties referred to in Article 268 of this Act".

Former paragraphs (17) and (18) become paragraphs (18) and (19).

Article 129

In Article 268, in the introductory sentence, the words "paragraph (7)" are replaced by the words "paragraph (10)".

Article 130

In Article 274, paragraph (4), the words "having its head office in the EU" are deleted.

Paragraph (5) is amended to read:

"(5) The claims of the fifth level of higher priority shall include claims arising from eligible deposits which exceed the coverage level provided for in the law governing deposit insurance and claims that would be eligible deposits if they were not held with a branch of the credit institution located in a third country, which are not included in the claims of the fourth level of higher priority."

After paragraph (5), new paragraphs (6) and (7) are inserted, which read:

"(6) The claims of the sixth level of higher priority shall include all other claims against the credit institution apart from:

- 1) those classified into lower priority claims; and
- 2) those for which creditors and the credit institution agreed that in bankruptcy proceedings the creditors will be settled after all other creditors with higher and lower priority claims.

(7) The claims referred to in paragraph (6), item (2) of this Article shall be settled in accordance with the following order of priority:

- 1) claims which are not included in items (2) to (6) of this paragraph;
- 2) claims of the holder of subordinated debt that is not additional tier 1 or tier 2 capital;
- 3) claims of owners of instruments used in accordance with the Act on the Resolution of Credit Institutions and Investment Firms to meet the minimum requirement for own funds and eligible liabilities and for which it has been arranged that when bail-in tools are applied to that credit institution, the instruments shall be written down or converted to shares or other instruments of ownership;
- 4) claims of parent undertakings as owners of instruments used by subsidiaries to meet the minimum requirement for own funds and eligible liabilities on an individual basis;
- 5) the principal amount of subordinated debt that is included in tier 2 capital;
- 6) the principal amount of subordinated debt that is included in additional tier 1 capital."

Former paragraphs (6), (7) and (8) become paragraphs (8), (9) and (10).

In the former paragraph (9), which becomes paragraph (11), the words "referred to in paragraph (7)" are replaced by the words "referred to in paragraph (9)".

Article 131

In Article 275c, paragraph (11), the words "to protect the assets of the credit institution under resolution" are replaced by the words "to fulfil the duties referred to in Article 275d of this Act".

Article 132

In Article 284, paragraphs (4), (5) and (9) after the words "EU parent credit institution" the words "having its head office in the RC" are added.

Article 133

In Article 288, paragraph (4), after the words "EU parent credit institution" the words "having its head office in the RC" are inserted.

Article 134

In Article 290, paragraph (1), after the words "RC parent credit institution or" the words "EU parent credit institution having its head office in the RC or".

Article 135

The title above Article 301 is amended to read "*General service information*".

Article 301 is amended to read:

"(1) A credit institution shall for each service offered to consumers make available clear and understandable general service information and make it available in writing, in the Croatian language and in an appropriate place in its business premises where it provides services to consumers. The credit institution may also make general service information available to consumers on another durable medium or electronically.

(2) 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 implications for the consumer.

(3) The credit institution shall make general service information available to consumers at least within the scope provided for in the laws governing consumer lending, consumer housing loans or as laid down in other regulations governing particular banking and financial services."

Article 136

Article 302 is amended to read:

"(1) A credit institution shall conclude a contract with a consumer on the provision of a particular banking service referred to in Article 7 of this Act, in writing and in the Croatian language, and shall deliver at least one copy to the consumer. Where a credit contract is concluded, the credit institution shall, in addition to the consumer, provide a copy of the contract to all other participants in the credit relationship (co-debtors, pledgors and guarantors).

(2) Before concluding a contract on the provision of banking services, the credit institution shall provide the consumer with personalised the information needed to compare different offers in order to take a decision on whether to conclude a contract. The information to be provided to the consumer by the credit institution shall include at least the information prescribed by the law governing consumer lending, consumer housing loans and other regulations governing particular banking and financial services.

(3) Before concluding the contract referred to in paragraph (2) of this Article, the credit institution shall present or disclose to the consumer all the relevant terms and conditions of the contract which clearly indicate the rights and obligations of the contracting parties. In relation to concluding a credit contract, the credit institution shall, before concluding the contract, present or disclose to other participants in the credit relationship (co-debtors, pledgors and guarantors) all the relevant information on the terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties and shall warn them of the

legal implications of being a co-debtor or guarantor, as well as of the right of the credit institution to undertake collection of its claims from all participants in the credit relationship.

(4) On request of the consumer and free of charge, the credit institution shall provide the consumer with a draft of the contract referred to in paragraph (2) of this Article 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. The credit institution shall also make the draft credit contract available 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 contract referred to in paragraph (2) of this Article, 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 that may impact the financial position of the consumer and with a short explanation of that impact.

(6) In deposit and lending segment of its consumer operations, as regards services indexed to foreign currency, the credit institution shall apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the kuna applicable on the day of the transaction."

Article 137

In Article 303, paragraph (1), after the last sentence, a new sentence is added which reads:

"The credit institution may also disclose general operating conditions to consumers on another durable medium or in electronic form."

Paragraph (4) is amended to read:

"(4) The information 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 with the consumer;
- 6) effective interest rates reflecting the total price of particular types of credit, calculated in accordance with the regulations of the Croatian National Bank;
- 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 connected time limits provided;
- 11) the possibilities and 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."

In paragraph (5), items (1) and (2) are amended to read:

- "1) interest rate types;
- 2) methods and frequency of calculating interest;"

Article 138

The title above Article 304 is amended to read: "*Subordinate legislation of the Croatian National Bank regulating consumer protection*".

Article 304 is amended to read:

"The Croatian National Bank shall adopt subordinate regulation to further regulate:

- 1) a uniform method of calculating and disclosing credit and deposit prices (effective interest rates referred to in Article 303, paragraph (4), item (6) and paragraph (5), item (7) of this Act);
- 2) the content and form of providing the information referred to in Article 302, paragraph (2) of this Act;
- 3) the conditions for and the manner of exercising supervision and imposing measures."

Article 139

In Article 305, paragraph (5) is amended to read:

"(5) 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."

After paragraph (5), a new paragraph (6) is inserted which reads:

"(6) Where the interest rate in a credit 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."

In the former paragraph (6), which becomes paragraph (7), the word "change" is replaced by the word "increase".

After the former paragraph (6), which becomes the new paragraph (7), paragraphs (8) and (9) are added, which read:

"(8) 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, including the calculation of the effective interest rate as at

the date of the loan amortisation schedule, information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes.

(9) 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. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who have repaid the loan in part or in full."

Article 140

Article 306 is amended to read:

"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."

Article 141

In Article 308, paragraph (2), the words "deposit and lending services to consumers" are replaced by the words "deposit and lending segment of their consumer operations".

Article 142

Article 309 is amended to read:

"(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 under 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:

- credit institutions of other Member States, providing services through branches or directly providing mutually recognised services within the territory of the Republic of Croatia, and
- third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country 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, regulations adopted under this Act and the provisions of the 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 has not complied with the terms and conditions of a contract on the provision of banking or financial services, disclosed internal bylaws governing the business relationship between credit institutions and clients, the provisions of this Act relating to consumer protection, the provisions of regulations adopted under this Act and the provisions of other laws governing consumer protection he/she may file a complaint against 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. 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. The credit institution shall appoint a person responsible for monitoring the process of consumer complaint management.

(6) Where a consumer is dissatisfied with the response or decision of a credit institution as regards his/her filed complaint, he/she may notify the Croatian National Bank thereof.

(7) The Croatian National Bank shall not address individual consumer complaints, i.e. complaints from a credit institution's clients.

(8) The Croatian National Bank shall periodically monitor the developments in the number of consumer complaints per individual credit institution. Credit institutions shall deliver to the Croatian National Bank data on consumer complaints in the manner and within the time limits laid down by it."

Article 143

The title above Article 310 is amended to read: "*Alternative dispute resolution for consumer disputes*".

Article 310 is amended to read:

"(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 initiated in accordance with a special regulation governing alternative dispute resolution of consumer disputes.

(2) Conciliation or alternative dispute resolution shall be handled before conciliation centres or centres for alternative dispute resolution, in accordance with the provisions of regulations governing conciliation or alternative dispute resolution of consumer disputes."

Article 144

Article 311 is amended to read:

"For the purpose of ensuring consumer protection in accordance with the provisions of this Act, the provisions of other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws, the Croatian National Bank may issue a decision to impose measures on entities referred to in Article 309, paragraphs (1) and (2) of this Act and provide time limits to meet them, in particular:

- 1) order to stop illegal practices;

- 2) order to eliminate illegalities and/or irregularities and determine the time limit for doing so; or
- 3) order to create, supplement and/or amend procedures, business policies and other bylaws of the credit institution relating to operations with consumers."

Article 145

Article 334 and its title are deleted.

Article 146

Article 360 is amended to read:

"(1) A G-SII or O-SII shall be fined between HRK 375,000.00 and up to 10% of total income:

- 1) if it grants credits or issues guarantees or other commitments contrary to the provisions of Article 21 of this Act;
- 2) if it acquires holdings in another legal person contrary to the provisions of Article 23 of this Act;
- 3) if it fails to ensure that no rights arising from the shares ordered to be sold are exercised by the acquirer without prior approval or if it fails to notify the Croatian National Bank of any changes of shareholders in accordance with Article 30, paragraph (8) of this Act;
- 4) if it breaches the provisions on the management board referred to in Article 36, paragraphs (1), (2), (3), (4), (5) or (6) of this Act;
- 5) if it selects or appoints a supervisory board member without prior approval contrary to Article 46, paragraph (1) of this Act;
- 6) if it carries out activities contrary to Article 59 of this Act;
- 7) if it effects any of the changes in status referred to in Article 63 of this Act without authorisation by the Croatian National Bank or fails to notify the creditors contrary to Article 63, paragraph (11) of this Act;
- 8) if it establishes a branch in another Member State without authorisation by the Croatian National Bank and without notifying the Croatian National Bank in advance in accordance with Article 75, paragraph (1) of this Act;
- 9) if, as a parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution established a branch in another Member State in advance in accordance with Article 76, paragraph (1) of this Act;
- 10) if it begins to provide services through a branch situated in another Member State contrary to Article 77 of this Act;
- 11) if it begins to directly provide banking services or recognised financial services without notifying the Croatian National Bank in advance of its intention in accordance with Article 80, paragraph (1) of this Act;
- 12) if, as an RC parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution began to directly provide recognised financial services in accordance with Article 80, paragraph (2) of this Act;
- 13) if it establishes a branch in a third country without prior authorisation by the Croatian National Bank in accordance with Article 81, paragraph (3) of this Act;

14) if it makes advance profit or dividend payments, pays out profits or dividends or makes payments deriving from the participation of its management board, supervisory board or employees in the profits of the credit institution contrary to Article 99 of this Act;

15) if it contracts the payment of variable remuneration contrary to Article 100 of this Act;

16) if it fails to establish or implement governance arrangements in accordance with Article 101, paragraph (1) of this Act;

17) if it fails to establish effective management of all risks in accordance with Article 103 of this Act or if it acts contrary to credit risk management rules, rules for the management of market risks, operational risk management rules and rules for the management of other risks referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

18) if it fails to calculate a change in the economic value of the credit institution that arises from the non-trading book as a result of a standard interest rate shock, if it fails to notify the Croatian National Bank of exposure to interest rate risk in the non-trading book or if it acts contrary to other procedures and principles to manage interest rate risk in the non-trading book referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

19) if it acts contrary to liquidity risk management rules referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

20) if it acts contrary to rules on information system management and management of risks arising from the use of the information system referred to in subordinate legislation adopted under Article 101, paragraph (2), item (1) of this Act;

21) if it fails to allocate exposures into groups by recoverability, if it fails to determine value adjustments, impairment of on-balance sheet items and provisions for off-balance sheet items or if it acts contrary to other rules regarding monitoring of credit risk-bearing portfolios referred to in subordinate legislation adopted under Article 101, paragraph (2), item (2) of this Act;

22) if it fails to identify a group of connected clients in accordance with subordinate legislation adopted under Article 101, paragraph (2), item (3) of this Act;

23) if it acts contrary to rules on provisions for litigation costs and legal risk referred to in subordinate legislation adopted under Article 101, paragraph (2), item (4) of this Act;

24) if it acts contrary to requirements regarding employee remuneration or if it acts contrary to other rules, procedures and criteria regarding remuneration policies referred to in subordinate legislation adopted under Article 101, paragraph (2), item (5) of this Act;

25) if it fails to draw up or deliver to the Croatian National Bank a recovery plan, fails to apply the adopted recovery plan or fails to update the recovery plan, contrary to Article 154, paragraphs (1), (2), (3), (4) and (5) of this Act and Article 154a paragraph (1) of this Act, or if the recovery plan is not drawn up in the manner and the scope provided for in the subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act, or if the content of the recovery plan is not provided for in the subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act, or if the recovery plan is not submitted in the manner and within the time limits provided for their submission, and thereby acts contrary to the subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act;

26) if it fails to allocate reserves for general banking risks, and to calculate individual and all open positions and the largest permitted difference between these positions and limits determining special conditions for the operation of credit institutions in accordance with subordinate legislation adopted under Article 101, paragraph (3) of this Act;

27) if it fails to establish internal control systems in accordance with Article 104, paragraph (2), Article 105, paragraphs (1) and (2) and Articles 106 and 107 of this Act or if it acts contrary to subordinate legislation adopted under Article 105, paragraph (3) of this Act;

28) if a person responsible for the operation of a control function fails to notify the credit institution's management and supervisory board and the Croatian National Bank in accordance with Article 108 of this Act;

29) if it fails to have in place, implement and regularly review strategies and procedures to assess the adequacy of internal capital in accordance with Article 113 of this Act;

30) if it uses internal models or approaches, or fails to notify the Croatian National Bank of planned changes in the internal model or if it ceases to comply with the requirements for obtaining the permission contrary to Article 114 of this Act or contrary to Part Three of Regulation (EU) No 575/2013;

31) if it fails to maintain a countercyclical capital buffer in accordance with Article 118, paragraphs (1) and (2) of this Act;

32) if it fails to maintain a structural systemic risk buffer in accordance with Article 130, paragraphs (1) and (2) of this Act;

33) if it fails to maintain a G-SII buffer in accordance with Article 135, paragraphs (4) and (5) of this Act;

34) if it fails to maintain an O-SII buffer in accordance with Article 137, paragraphs (5), (6) and (7) of this Act;

35) if it makes a distribution in connection with common equity tier 1 capital contrary to the provisions of Article 140, paragraph (1) of this Act;

36) if it fails to notify the Croatian National Bank of the calculated maximum distributable amount in the manner referred to in Article 140, paragraph (2) of this Act;

37) if it fails to calculate or if it incorrectly calculates the maximum distributable amount in accordance with subordinate legislation adopted under Article 140, paragraph (6) of this Act;

38) 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 and thereby acts contrary to the provisions of Article 140, paragraph (3) of this Act, or if in this manner it distributes more than the maximum distributable amount and thereby acts contrary to Article 140, paragraph (5) of this Act;

39) if it fails to notify the Croatian National Bank of its intention to distribute profits or undertake an action referred to in Article 140, paragraph (3) of this Act or if it fails to provide the prescribed information, which is contrary to the provisions of Article 142, paragraph (1) of this Act;

40) if it fails to have in place, implement and regularly review arrangements in accordance with Article 142, paragraph (2) of this Act;

41) if it fails to prepare a capital conservation plan in the manner prescribed or if it fails to submit it to the Croatian National Bank within the time limits prescribed, which is contrary to the provisions of Article 143, paragraph (1) or (3) of this Act;

42) if it fails to undertake capital conservation measures contrary to in Article 143a, paragraphs (1), (2) or (3) of this Act or if it acts contrary to subordinate legislation adopted under Article 143a, paragraph (4) of this Act;

43) if it concludes a legal arrangement without prior approval of the supervisory board contrary to the provisions of Article 147 of this Act;

44) if it acts contrary to the provisions on the limits on holdings referred to in Article 148, paragraph (1) of this Act and if it fails to calculate limits on holdings or if it acts contrary to other rules regarding limits on holdings of tangible assets referred to in subordinate legislation adopted under Article 101, paragraph (2), item (6) of this Act;

45) if it acquires a holding without prior approval of the Croatian National Bank contrary to the provisions of Article 149, paragraph (1) or (2) of this Act;

46) if it acts contrary to the provisions on the sale of placements referred to in Article 150, paragraphs (2) to (5) and (8) of this Act or if it acts contrary to subordinate legislation adopted under Article 150, paragraph (7) of this Act;

47) if it fails to report to the Croatian National Bank of the facts and circumstances referred to in Article 151 of this Act;

48) if it fails to deliver to the Croatian National Bank the reports and information referred to in Article 153 of this Act;

49) if it fails to deliver to the Croatian National Bank its statements and reports or if it fails to publish such statements and reports in accordance with the provisions of Articles 163 and 164 of this Act;

50) if it fails to carry out the statutory audit of financial statements referred to in Article 168, paragraph (1) of this Act;

51) if it discloses annual financial statements or annual consolidated financial statements that have been dismissed or refused or if it fails to ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed, or if annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, fails to without delay notify the Financial Agency and regulated securities markets where the securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been dismissed or refused by a decision of the Croatian National Bank, or if it fails to without delay disclose the same notification on its website, which is contrary to Article 173, paragraph (7) of this Act;

52) if it fails to enable authorised persons to carry out on-site examinations in the manner and under conditions referred to in Articles 184, 186 and 187 of this Act;

53) if it fails to act in accordance with a decision adopted by the Croatian National Bank under the provisions of this Act or Regulation (EU) No 575/2013;

54) if it fails to notify the Croatian National Bank of the date of convening the general meeting within the time limit prescribed for notifying the credit institution's shareholders of the convening of the general meeting or if it fails to permit a representative of the Croatian National Bank to attend the general meeting in accordance with Article 227, paragraph (1) or (2) of this Act;

55) if it fails to meet an obligation regarding notification of breaches of regulations in the manner referred to in Article 359 of this Act or if, in any manner whatsoever, it puts employees who deliver the notification of breaches of regulations in a less favourable position;

56) if, in the period prior to the adoption of regulations under this Act and Regulation (EU) No 575/2013 it fails to act in accordance with the provisions of subordinate legislation referred to in Article 388 of this Act;

57) if it fails to calculate own funds in accordance with Part Two of Regulation (EU) No 575/2013 or in accordance with the technical standard adopted by the European Commission pursuant to the provisions of Part Two of Regulation (EU) No 575/2013;

58) if it classified capital instruments referred to in Articles 26, 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) or Regulation (EU) No 575/2013, i.e. Article 114, paragraph (4) of this Act;

59) if it makes payments to holders of instruments included in the own funds in cases where Article 28, 51 or 63 of Regulation (EU) 575/2013 prohibit such payments;

60) if its common equity tier 1 capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its tier 1 capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its total capital ratio falls below the level laid down in Article 92 of Regulation (EU) No 575/2013 or if its own funds fall below the level laid down in Article 93 of Regulation (EU) No 575/2013;

61) if it fails to calculate own funds requirements in accordance with Part Three 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 the Regulation (EU) No 575/2013;

62) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on compliance with the own funds requirements laid down in Article 92 of Regulation (EU) No 575/2013, and thereby acts contrary to Article 99 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 99 of Regulation (EU) No 575/2013;

63) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on losses and exposure values, and thereby acts contrary to Article 101 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 101 of Regulation (EU) No 575/2013;

64) if it fails to meet the requirements for the trading book set out in Articles 102 to 106 of Regulation (EU) No 575/2013 or fails to meet the requirements for the trading book and prudent valuation in accordance with the technical standard adopted by the European Commission pursuant to Article 105 of Regulation (EU) No 575/2013;

65) if it fails to calculate exposures or fails to act in accordance with other requirements for large exposures set out in Part Four of Regulation (EU) No 575/2013 or fails to calculate exposures or act in accordance with other requirements for large exposures in accordance with the technical standard adopted by the European Commission pursuant to Part Four of the Regulation (EU) No 575/2013;

66) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on large exposures, which is contrary to Article 394, paragraph (1) of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 394 of Regulation (EU) No 575/2013;

67) if it incurs an exposure in excess of the limit set out in Article 395 of Regulation (EU) No 575/2013;

68) if it fails to notify the Croatian National Bank of exceeding the maximum permitted exposure limits in the manner prescribed in Article 396 of Regulation (EU) No 575/2013;

69) if 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 or if 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;

70) if it repeatedly or persistently fails to maintain sufficient liquid assets, which is contrary to Article 412 of Regulation (EU) No 575/2013 or 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;

71) if it fails to ensure that long term obligations are adequately met with a diversity of stable funding instruments in accordance with Article 413 of Regulation (EU) No 575/2013;

72) if it fails to notify the Croatian National Bank and submit to it a plan for the timely restoration of compliance, and thereby acts contrary to Article 414 of Regulation (EU) No 575/2013;

73) if it fails to report information or provides incomplete or inaccurate information on liquidity to the Croatian National Bank, which is contrary to Article 415, paragraphs (1) and (2) of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013;

74) 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;

75) if it fails to calculate the leverage ratio in accordance with Article 429 of Regulation (EU) No 575/2013;

76) if it fails to report information or provides incomplete or inaccurate information on the leverage ratio to the Croatian National Bank, which is contrary to Article 430, paragraph (1) of Regulation (EU) No 575/2013 or if it fails to report information in accordance with the uniform reporting form, or if it fails to report data in compliance with the instructions for use of these forms, or if it fails to report information in compliance with the dates of reporting or fails to report information in accordance with IT solutions as specified in the technical standard adopted by the European Commission pursuant to Article 430 of Regulation (EU) No 575/2013;

77) if it fails to disclose information or provides incomplete or inaccurate information, which is contrary to Article 431, paragraphs (1), (2) and (3) of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to the provisions of Part Eight of Regulation (EU) No 575/2013;

78) if it acts contrary to subordinate legislation adopted by the Croatian National Bank under its powers under Regulation (EU) No 575/2013;

79) if it acts contrary to the delegated act adopted by the European Commission pursuant to Articles 456, 457, 459 and 460 of Regulation (EU) No 575/2013;

80) if it acts contrary to subordinate legislation that the Croatian National Bank adopted for the purpose of implementing 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;

81) if its initial capital is below the amount provided for in Article 19 of this Act;

82) 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 Article 146a, paragraph (1) of this Act or if it concludes a legal arrangements as a result of which the total exposure to a person in a special relationship would exceed HRK 50,000.00 without the unanimous decision of all management board members or prior approval of the supervisory board, which is contrary to Article 146a, paragraph (2) of this Act;

83) if it concludes a financial support agreement without prior approval of the consolidating supervisor contrary to Article 216b, paragraph (11) or Article 216c, paragraph (2) of this Act or fails to notify the Croatian National Bank of the conclusion the agreement, which is contrary to Article 216e, paragraph (1) of this Act;

84) if it provides support without the approval of the Croatian National Bank, which is contrary to Article 216h, paragraph (1) of this Act or if it fails to notify the Croatian National Bank of its intention to provide support, which is contrary to Article 216h, paragraphs (1) and (2) of this Act;

85) if it fails to notify the decision to provide financial support, which is contrary to Article 216i, paragraph (1) of this Act or if it fails to publicly disclose and update at least annually the information referred to in Article 216i, paragraphs (3) and (4) of this Act, which is contrary to Article 216i, paragraphs (3) and (4) of this Act;

86) if it carries out the reduction of common equity tier 1 capital items contrary to Articles 312a, 312b or 312c of this Act; or

87) if it fails to update or where necessary draw up a new recovery plan and deliver it to the Croatian National Bank, which is contrary to Article 152, paragraph (2) of the Act on Amendments to the Credit Institutions Act.

(2) A responsible person of the management board of a G-SII or an O-SII shall be fined between HRK 18,000.00 and HRK 100,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(3) A credit institution for which it has not been determined whether it is a G-SII or an O-SII shall be fined between HRK 50,000.00 and up to 10% of total income for any of the minor offences referred to in paragraph (1) of this Article.

(4) A responsible person of the credit institution's management board for which it has not been determined whether it is a G-SII or an O-SII shall be fined between HRK 7,500.00 and HRK 30,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(5) A G-SII or an O-SII shall be fined between HRK 375,000.00 and up to 10% of total income if, contrary to Article 39, paragraph (1) of this Act, it appoints a management board member without prior approval or if, contrary to Article 40, paragraph (1) of this Act, it appoints a chairperson of the management board without prior approval.

(6) A credit institution for which it has not been determined whether it is a G-SII or an O-SII shall be fined between HRK 50,000.00 and up to 10% of total income if, contrary to Article 39, paragraph (1) of this Act, it appoints a management board member without prior approval or if, contrary to Article 40, paragraph (1) of this Article, it appoints a chairperson of the management board without prior approval.

(7) A responsible person of the supervisory board of a G-SII or an O-SII shall be fined between HRK 18,000.00 and HRK 100,000.00 for any of the minor offences referred to in paragraphs (5) or (6) of this Article, while a responsible person of the supervisory board of a credit institution for which it has not been determined whether it is a G-SII or an O-SII shall be fined between 7,500.00 and HRK 30,000.00.

(8) A responsible person competent to represent the founding credit institution shall be fined between HRK 7,500.00 and HRK 30,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(9) The Croatian National Bank shall deliver to the competent minor offence court a decision determining whether the credit institution against which minor offence proceedings have been initiated is a G-SII or an O-SII, for the year in which the minor offence was carried out."

Article 147

Article 361 is amended to read:

"(1) A G-SII or an O-SII shall be fined between HRK 37,500.00 and up to 3% of total income:

- 1) if its preferential shares exceed the limit referred to in Article 22 of this Act;
- 2) if it 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 contrary to Article 35, paragraph (4) of this Act;
- 3) if it breaches the provisions on the employment status of management board members referred to in Article 37 of this Act;
- 4) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for management board members contrary to Article 38, paragraph (2) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 38, paragraph (3) of this Act;
- 5) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members contrary to Article 45, paragraph (4) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 45, paragraph (5) of this Act;
- 6) if it fails to ensure that members of the risk committee or the risk and audit committee have adequate access to information in accordance with the provisions of Article 52, paragraph (5) of this Act;
- 7) if it fails to identify key functions in accordance with Article 54, paragraph (1) of this Act or to adopt and implement appropriate policies for selecting and assessing the suitability of key function holders in accordance with Article 54, paragraph (2) of this Act or if it fails to take appropriate measures to ensure the suitability of a key function holder in accordance with Article 54, paragraph (3) of this Act, or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 54, paragraph (4) of this Act;
- 8) if it fails to notify the Croatian National Bank and the competent authority of the host Member State at least one month before effecting the change in the operation of its branch situated in a Member State in accordance with Article 78 of this Act;
- 9) if it establishes a representative office in a third country without notifying the Croatian National Bank in accordance with Article 82 of this Act;
- 10) if in the course of outsourcing it acts contrary to Articles 109 to 111 of this Act;
- 11) if it fails to take appropriate measures to develop and use internal approaches for calculating own funds requirements in accordance with the provision of Article 115, paragraph (1) of this Act;
- 12) if it fails to ensure that an agreement in writing is given in a separate document in accordance with Article 157, paragraph (5) of this Act;

13) if it fails to store bookkeeping documents in accordance with the provisions of Article 160, paragraphs (1), (2) or (4) of this Act or if it fails to follow the chart of accounts in accordance with the provisions of Article 161, paragraph (2) of this Act or if it prepares financial statements or other reports contrary to the subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act or if it fails to deliver to the Croatian National Bank financial or other statements in accordance with subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act, which is contrary to Article 162, paragraph (4) of this Act;

14) if in its public disclosures it fails to act in accordance with the frequency of and time limits for public disclosure prescribed by subordinate legislation adopted under Article 165 of this Act or if it fails to disclose information in accordance with Article 166 of this Act;

15) if it fails to deliver to the Croatian National Bank a decision to appoint an audit firm in accordance with Article 169, paragraph (1) of this Act;

16) if it fails to notify and explain to the Croatian National Bank the termination of a contract with an audit firm in accordance with Article 171, paragraph (1) of this Act;

17) if it acts contrary to subordinate legislation adopted under Article 175, paragraph (2) of this Act;

18) if it fails to meet the obligations relating to supervision of intra-group transactions, and thereby acts contrary to Article 292, paragraph (2) of this Act;

19) if it fails to provide general service information in the manner referred to in Article 301, paragraph (1) of this Act or if it fails to provide such information in accordance with subordinate legislation adopted under Article 301, paragraph (2) of this Act;

20) if it fails to conclude a contract with a consumer on the provision of a particular banking service referred to in Article 7 of this Act in writing, or if the contract concluded is not in the Croatian language, or if at least one copy is not delivered to the consumer, or if in the case of a credit contract at least one copy of the contract is not provided to other participants in the credit relationship, which is contrary to Article 302, paragraph (1) of this Act, or if before concluding a contract on the provision of banking or financial services it fails to provide the consumer with personalised information, or if the information fails to include at least the information prescribed by the law governing consumer lending, consumer housing loans and other regulations governing particular banking and financial services, which is contrary to Article 302, paragraph (2) of this Act, or if before concluding a contract it fails to present or disclose to the consumer all the important terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties and for credit contracts if it fails to present or disclose to other participants in the credit relationship all the relevant information on the terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties, or if it fails to warn other participants in the credit relationship of the legal implications of being a co-debtor or guarantor, as well as of the right of the credit institution to undertake collection of its claims from all participants in the credit relationship, which is contrary to Article 302, paragraph (3) of this Act, or if at the request of the consumer it fails to provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, or if at the request of another participant in the credit relationship it fails to make available or provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, which is contrary to Article 302, paragraph (4) of this Act, or if in addition to a draft of the contract it fails to provide the consumer 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 with other bylaws of the credit institution that may impact the financial position of the consumer and a short explanation of that impact, or if it fails to provide this free of charge, which is contrary to Article 302, paragraph (5) of this Act, or if in deposit and lending segment of its consumer

operations, as regards services indexed to foreign currency, it fails to apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the kuna applicable on the day of the transaction, which is contrary to Article 302, paragraph (5) of this Act.

21) if it acts contrary to the provisions on disclosure of its general operating conditions laid down in Article 303, paragraphs (1), (2) and (3) of this Act;

22) if it acts contrary to subordinate legislation adopted under Article 304 of this Act;

23) if it fails to notify the consumer, co-debtor, pledgor or guarantor in accordance with the provisions of Article 305, paragraphs (1) to (3) of this Act or if it changes the interest rate contrary to Article 305, paragraph (5) or (6) of this Act;

24) if it fails to apply regulations in accordance with Article 306 of this Act on credit contracts regardless of the total amount and the type of credit granted to a consumer by the credit institution;

25) if it offers to contract a variable interest rate without warning the consumer in advance of all risks associated with the variability of the interest rate or if it fails to contract the parameters affecting the change in the contracted interest rate and thereby acts contrary to the provision of Article 307, paragraph (1) of this Act, or if it concludes a contract on a short-term deposit or a short-term credit with a variable interest rate and thereby acts contrary to the provision of Article 307, paragraph (2) of this Act, or if it contracts promotional interest rates on contracts other than short-term and thereby acts contrary to the provision of Article 307, paragraph (3) of this Article, or if it charges fees contrary to Article 308 of this Act;

26) if it fails to submit additional data, reports and other bylaws required by the Croatian National Bank in accordance with Article 309, paragraph (3) of this Act within a specified time limit;

27) if it fails to appoint a person responsible for addressing consumer complaints or if it fails to entrust at least one of its employees with the task of addressing consumer complaints in accordance with Article 309, paragraph (5) of this Act;

28) if it fails to deliver to the Croatian National Bank data on consumer complaints in the manner and within the time limits laid down by the Croatian National Bank in accordance with Article 309, paragraph (8) of this Act;

29) if it fails to apply a method for prudential consolidation prescribed in Article 18, paragraph (1) of Regulation (EU) No 575/2013 or fails to carry out consolidation in accordance with the conditions according to which consolidation should be carried out as specified in the regulatory technical standard adopted by the European Commission pursuant to Article 18, paragraph (7) of Regulation No 575/2013;

30) if it fails to include in consolidation the undertakings referred to in Article 18, paragraph (8) of Regulation (EU) No 575/2013;

31) if it excludes an undertaking from consolidation in a manner contrary to the provision of Article 19, paragraphs (1) and (3) of Regulation (EU) No 575/2013;

32) if it fails to report information or provides incomplete or inaccurate information to the Croatian National Bank on the level of its repurchase agreements, securities lending and all forms of encumbrance of assets in accordance with Article 100 of Regulation (EU) No 575/2013 or the technical standard adopted by the European Commission pursuant to Article 99 of Regulation (EU) No 575/2013;

33) if it fails to adopt a policy regarding disclosure of information in accordance with Article 431, paragraph (3) of Regulation (EU) No 575/2013;

34) if it fails to explain in writing a rating decision in accordance with Article 431, paragraph (4) of Regulation (EU) No 575/2013;

35) if it fails to disclose information in accordance with the frequency required under Article 433 of Regulation (EU) No 575/2013;

36) if it fails to comply with the provisions on the means of disclosures under Article 434 of Regulation (EU) No 575/2013;

37) if it prepares reports on exposures to persons in a special relationship with the credit institution contrary to subordinate legislation adopted under Article 146c of this Act or if it fails to submit to the Croatian National Bank reports on exposures to persons in a special relationship with the credit institution in accordance with subordinate legislation adopted under Article 146c of this Act;

38) if it fails to report to the Croatian National Bank in accordance with subordinate legislation adopted under Article 101, paragraph (2), items (1), (4), (5) or (7) of this Act or if it provides incomplete or inaccurate information;

39) if it prepares reports on capital buffers and capital conservation measures contrary to subordinate legislation adopted under Article 144, paragraph (2) of this Act or if it fails to submit to the Croatian National Bank reports on capital buffers and capital conservation measures in accordance with subordinate legislation adopted under Article 144, paragraph (2) of this Act, which is contrary to Article 144, paragraph (1) of this Act."

(2) A responsible person of the management or supervisory board of a G-SII or an O-SII shall be fined between HRK 3,500.00 and HRK 20,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(3) A credit institution for which it has not been determined whether it is a G-SII or an O-SII shall be fined between HRK 10,000.00 and up to 3% of total income for any of the minor offences referred to in paragraph (1) of this Article.

(4) A responsible person of the management or supervisory board of a credit institution for which it has not been determined whether it is a G-SII or an O-SII shall be fined between HRK 1,000.00 and HRK 20,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(5) A responsible person competent to represent the founding credit institution shall be fined between HRK 1,000.00 and HRK 20,000.00 for any of the minor offences referred to in paragraph (1) of this Article.

(6) The Croatian National Bank shall deliver to the competent minor offence court a decision determining whether the credit institution against which minor offence proceedings have been initiated is a G-SII or an O-SII, for the year in which the minor offence was carried out."

Article 148

In Article 363, paragraph (2), item (5) is amended to read:

"5) if they fail to establish committees in accordance with Article 50 of this Act, if supervisory board committees act contrary to Articles 51 to 53 of this Act or if they act contrary to subordinate legislation adopted under Article 101, paragraph (2), item (5) of this Act; or".

Article 149

Article 364 is amended to read:

"(1) A legal person using the words 'credit institution', 'bank', 'savings bank', 'housing savings bank', or derivatives of these words contrary to the provisions of Article 6, 313 and 319 of this Act shall be fined between HRK 7,500.00 and up to 10% of total income.

(2) A responsible person of the legal person that committed the minor offence referred to in paragraph (1) of this Article shall be fined between HRK 3,500.00 and HRK 20,000.00.

(3) A legal person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between HRK 75,000.00 and up to 10% of total income.

(4) A responsible person of the legal person that committed the minor offence referred to in paragraph (3) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(5) A natural person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00.

(6) A legal person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provisions of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraphs (1) and (2) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(7) A responsible person of the legal person that committed the minor offence referred to in paragraph (6) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(8) A natural person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provisions of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraphs (1) and (2) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00.

(9) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraphs (15) and (17) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(10) A responsible person of the legal person that committed the minor offence referred to in paragraph (9) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(11) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraphs (15) and (17) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00 kuna.

(12) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraph (7) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(13) A responsible person of the legal person that committed the minor offence referred to in paragraph (12) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(14) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (7) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00 kuna.

(15) Legal persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined between HRK 37,500.00 and up to 3% of total income.

(16) A responsible person of the legal person that committed the minor offence referred to in paragraph (15) of this Article shall be fined between HRK 7,500.00 and HRK 50,000.00.

(17) Natural persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined between HRK 7,500.00 and HRK 50,000.00.

(18) The legal persons referred to in Article 179, paragraph (2) of this Act who fail to deliver reports and information to the Croatian National Bank or who fail to enable an examination of a part of their operation shall be fined between HRK 75,000.00 and up to 10% of total income.

(19) A responsible person of the legal person that committed the minor offence referred to in paragraph (18) of this Article shall be fined between HRK 7,500.00 and HRK 50,000.00.

(20) The natural persons referred to in Article 179, paragraph (2) of this Act who fail to deliver reports and information to the Croatian National Bank or who fail to enable an examination of a part of their operation shall be fined between HRK 7,500.00 and HRK 50,000.00."

Article 150

In Article 365, paragraph (1) is amended to read:

"(1) A fine between HRK 750,000.00 and up to 10% of total income shall be imposed on:

1) a parent financial holding company or parent mixed financial holding company which fails to act in accordance with Article 24, paragraph (12) of this Act;

2) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which has to comply with prudential requirements on a consolidated basis for a group or sub-group of credit institutions if it fails to meet the requirements referred to in Article 97 of this Act, or the parent financial holding company or parent mixed financial holding company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 97, paragraphs (4) to (7) of this Act;

3) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to meet its obligations referred to in Article 281, paragraph (1) of this Act to the parent credit institution of the group or the credit institution referred to in Article 97, paragraph (2) of this Act;

4) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which fails to meet its obligation referred to in Article 281, paragraph (2) of this Act;

5) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to enable the Croatian National Bank to exercise supervision of its operations in accordance with Article 281, paragraph (3) of this Act;

6) the parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in consolidation of the parent undertaking, which fails to meet its obligations referred to in Article 281, paragraph (4) of this Act;

7) persons the parent undertaking of which is a RC parent credit institution, an EU parent credit institution having its head office in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act, which are not included in supervision on a consolidated basis and which fail to meet their obligations referred to in Article 281, paragraph (5) of this Act;

8) legal persons who fail to act in accordance with subordinate legislations adopted under Article 290 of this Act;

9) a mixed-activity holding company and its subsidiaries which fail to meet their obligations referred to in Article 291, paragraph (1) of this Act;

10) a RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to publicly disclose information on the governance and organisation in accordance with Article 167, paragraph (1) or (2) of this Act; or

11) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which has to comply with prudential requirements on a consolidated basis for a group or sub-group of credit institutions or the parent financial holding company or parent mixed financial holding company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 11 of Regulation (EU) No 575/2013 on a consolidated basis."

Article 151

In Article 366, paragraph (1) is amended to read:

"(1) An audit firm shall be fined between HRK 75,000.00 and HRK 500,000.00:

1) if it fails to deliver an audit plan to the Croatian National Bank within the time limit and in the manner prescribed in Article 169, paragraph (3) of this Act;

2) if it fails to notify and explain to the Croatian National Bank the termination of a contract with a credit institution in accordance with Article 171, paragraph (1) of this Act;

3) if it fails to meet its obligations referred to in Article 172 of this Act or Article 12, paragraph (1) of Regulation 537/2014; or

4) if it fails to carry out an audit for the purposes of the Croatian National Bank in accordance with Article 174 of this Act and the regulations adopted under paragraph (6) of the same Article."

TRANSITIONAL AND FINAL PROVISIONS

Article 152

(1) In the entire text of the Credit Institutions Act the Croatian word translated as "web" is replaced by another Croatian word, with no relevance to the English translation.

(2) In the entire text of the Credit Institutions Act the words "infringed protected value" are replaced by the words "total income".

Proceedings in process

Article 153

(1) Authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(2) Applications for authorisation and approval submitted before the entry into force of subordinate legislation adopted under this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(3) Bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force on the date of the adoption of the decision on the opening of bankruptcy proceedings.

(4) Proceedings in which a request to open bankruptcy proceedings was submitted prior to the entry into force of this Act, and the decision on the opening of bankruptcy proceedings was not issued until the date of the entry into force of this Act, shall be completed pursuant to the provisions of the Act in force on the date of submission of the request to open bankruptcy proceedings.

(5) In minor offence proceedings started before the entry into force of this Act, G-SIIs and O-SIIs shall be credit institutions whose assets exceed HRK 7 billion in the year when the minor offence was committed.

(6) Credit institutions which are undergoing voluntary winding-up proceedings on the date of the entry into force of this Act shall within one year of the entry into force of this Act close voluntary winding-up proceedings, apply for the removal of the undertaking from the register of companies and submit evidence thereof to the Croatian National Bank.

(7) By way of derogation from paragraph (6) of this Article, credit institutions that deem they will not be able to close voluntary winding-up proceedings and apply for removal from the register of companies within one year of the entry into force of this Act shall deliver to the Croatian National Bank:

- 1) a winding-up plan in the scope appropriate to the stage the winding-up;
- 2) a decision of the general meeting on the dissolution of the undertaking;
- 3) a notification of the invitation to creditors;
- 4) a report on the status of the undertaking; and
- 5) a decision of the general meeting on the adoption of the audited initial liquidation financial statements.

(8) The Croatian National Bank shall not adopt a decision referred to in Article 118 of this Act amending Article 250 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) on the delivered winding-up plan referred to in paragraph (7) of this Article.

(9) The Croatian National Bank may adopt a decision to initiate compulsory winding-up if:

- 1) the credit institution referred to in paragraph (6) of this Article fails to complete voluntary winding-up proceedings and fails to apply for the removal from the register of companies within the time limit referred to in paragraph (6) of this Article; or
- 2) the credit institution referred to in paragraph (6) of this Article fails to deliver the documents listed in paragraph (7) of this Article within the time limit referred to in paragraph (6) of this Article;
- 3) the Croatian National Bank assesses pursuant to the delivered documents referred to in paragraph (7) of this Article that the voluntary winding-up referred to in paragraph (6) of this Article might be detrimental to the rights of creditors or determines the existence of any of the

reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan.

(10) The provisions of Title XX.2 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) governing compulsory winding-up of a credit institution shall apply *mutatis mutandis* in cases referred to in paragraph (9) of this Article.

Time limits for compliance with the provisions of this Act

Article 154

(1) Credit institutions which on the date of the entry into force of this Act provide the services referred to in Article 5 of this Act by which item (4) is added to Article 8, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) shall within one year of the entry into force of this Act obtain authorisation of the Croatian National Bank to provide these additional financial services.

(2) The provisions of Article 139 of this Act by which paragraph (9) is added to Article 305 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) shall apply to all loans in repayment on the date of the entry into force of this Act.

(3) For loans that were repaid in full within the period of ten years prior to the entry into force of this Act and for which the credit institution failed to provide a statement of release and return to the consumer all instruments of collateral for the repaid loan, the credit institution shall within two years of the entry into force of this Act, free of charge, in writing, notify the consumer of the manner in which to obtain the statement of release and in case of the rights of third persons who have repaid the loan in part or in full, of the rights of such persons and further conditions to obtain the statement of release, as well as of the manner in which to retrieve any instruments of collateral for the repaid loan. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who repaid the loan in part or in full.

(4) Regardless of the credit institution's obligation referred to in paragraph (3) of this Article, the credit institution shall without delay provide to the consumer, at the consumer's request, the statement of release and return all available instruments of collateral for all loans repaid in full. Exceptionally, in case of the rights of third persons who repaid the loan in part or in full, the credit institution shall act in accordance with paragraph (3) of this Article.

Time limits for the adoption of subordinate legislation

Article 155

(1) The Croatian National Bank shall disclose the important elements of the methodology referred to in Article 59 of this Act within 12 months of the entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 8, 13, 19, 22, 29, 48, 49, 61, 62, 85 and 118 of this Act within 12 months of the entry into force of this Act.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 35, 76, 116 and 138 of this Act within three years of the entry into force of this Act.

Entry into force

Article 156

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 135 of this Act in the part which amended Article 301, paragraph (2) of the Credit Institutions Act (159/2013, 19/2015 and 102/2015), which shall enter into force on 1 July 2018.

Class: 022-03/17-01/116
Zagreb, 2 February 2018

THE CROATIAN PARLIAMENT

The President of the Croatian Parliament 

Gordan Jandroković, m. p.