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Reg. No: 57-093/093/21-15
Zagreb, 24 October 2022

TO ALL CREDIT INSTITUTIONS

Attention of: Management Board

Subject: Application of the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06)

Dear Sir/Madam,

We hereby inform you that on 2 July 2021, the European Banking Authority (hereinafter: the EBA) published on its website the revised **Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06)**; hereinafter: the Guidelines), applicable as of 31 December 2021, repealing the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12; hereinafter: the previous Guidelines) published on 21 March 2018.

The revised Guidelines take into account the amendments of Directive 2013/36/EU in the part pertaining to the suitability of credit institutions' management bodies introduced by Directive (EU) 2019/878 (hereinafter: the CRD V), in particular in order to take into account the existence of reasonable grounds to suspect involvement in money laundering when assessing the suitability of the management body.

The Guidelines focus on the prevention of money laundering and terrorist financing. More specifically, the Guidelines provide a detailed description of the situations calling for the initiation of the procedure of an extraordinary suitability assessment due to the existence of reasonable grounds to suspect that money laundering or terrorist financing has been or is being committed or attempted or there is an increased risk thereof in connection with that credit institution. An additional analysis is also required of the knowledge and experience of the management board member responsible for the implementation of the regulations governing the prevention of money laundering, while the assessment of the collective suitability of the management board and supervisory board now includes an additional requirement pertaining to understanding money laundering and terrorist financing risks. Other changes concern considering reports with relevant, credible and reliable information as a source of information that may be taken into account when assessing the suitability of the management board and supervisory board, especially the criteria of good repute, honesty and integrity. The EU parent undertakings and their subsidiaries are also required to ensure that their subsidiaries in third countries comply with EU legislation concerning the suitability requirements, while credit institutions are required to have anti-discrimination policies. The majority of other provisions of the previous Guidelines were not amended and were kept in the revised Guidelines.

In accordance with Article 4, paragraph (1), item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), the Croatian National Bank (hereinafter: the CNB) shall 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 (OJ L 24. 11. 2010).

The requirements of the previous Guidelines have been transposed into the Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members



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of the supervisory board and key function holders in a credit institution (Official Gazette 20/2021, hereinafter: the Decision), with the exception of the provision on the assessment of the suitability of control function holders in significant credit institutions by competent authority, whereof the Croatian National Bank has informed the EBA.

In the meantime, the Decision on amendments to the Decision was adopted on 9 September 2022 (Official Gazette 104/2022), transposing the changes introduced in the revised Guidelines. The Guidelines specified in this circular also represent the expectations which the CNB will take into account in the exercise of supervision. The CNB expects credit institutions to fully comply with the Guidelines in the part applicable to them.

The Guidelines in the Croatian language are available on the EBA website at the following link:

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-06%20Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20sustainability/1022098/Joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20suitability_HR.pdf

The Guidelines in the English language are available on the EBA website at the following link:

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-06%20Joint%20GLs%20on%20the%20assessment%20of%20suitability%20%28fit%26propoeer%29/1022127/Final%20report%20on%20joint%20EBA%20and%20ESMA%20GL%20on%20the%20assessment%20of%20suitability.pdf

Kind regards,

Tomislav Ćorić

Vicegovernor