

Reg. No.: 30-091/091/22-2  
Zagreb, 11 January 2022

**TO ALL LESS  
SIGNIFICANT  
SUPERVISED ENTITIES**

Attention of: Management Board

**Subject: Application of the Guidelines on internal governance (EBA/GL/2021/05)**

Dear Sir/Madam,

We hereby inform you that on 2 July 2021 the European Banking Authority (hereinafter: the EBA) published the revised **Guidelines on internal governance (EBA/GL/2021/05;** hereinafter: the Guidelines) on its website. The revised Guidelines entered into force on 31 December 2021. The previous Guidelines on internal governance (EBA/GL/2017/11), published on 21 March 2018, are repealed with effect from 31 December 2021.

The Guidelines are updated due to amendments to the provisions of Directive 2013/36/EU in the part pertaining to internal governance introduced by Directive (EU) 2019/878 (hereinafter: CRD V), in particular with regard to the risk of money laundering and terrorist financing and the management of conflict of interest, including the management of conflict of interest in the context of loans and other transactions with members of the management body and their related parties.

The Guidelines specify that identifying, managing and mitigating money laundering and financing of terrorism risk is part of sound internal governance arrangements and credit institutions' risk management framework. The provisions of revised Guidelines further detail the framework for granting loans to members of the management body and their related parties. Such loans may constitute a special source of actual or potential conflict of interest. In the same way, other transactions with members of the management body and their related parties may create a conflict of interest, which is why the Guidelines specify the manner in which they should be adequately managed. In accordance with the CRD V requirement pertaining to gender-neutral remuneration policy, the revised Guidelines add new provisions on the code of conduct to ensure that credit institutions take all necessary measures to prevent any form of discrimination and to guarantee equal opportunities to all staff. The majority of other provisions of the Guidelines on internal governance (EBA/GL/2017/11) 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 the 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 Decision on governance arrangements (Official Gazette 96/2018, 67/2019 and 145/2020) transposes the requirements laid down for credit institutions by the Guidelines on internal governance EBA/GL/2017/11 of 21 March 2018 in relation to organisational structure, the tasks and method of organisation and operation of supervisory board committees, the internal control system and control functions and risk management rules, with the exception of the provision stipulating that the majority of risk committee and nomination committee members in other systemically important credit institutions must be independent supervisory board members.

Furthermore, the Decision on amendments to the Decision on governance arrangements, published in Official Gazette 145/2021, transposes the minimum requirements set out in the Guidelines with regard to the prevention of any type of discrimination and the provision of equal opportunities to all staff, as well as money laundering and terrorist financing risk management and conflict of interest management.

The Guidelines on internal governance (EBA/GL/2021/05) also constitute 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. By way of exception, the CNB does not expect less significant credit institutions to comply with items 52 and 54 of the Guidelines in the part stipulating that the majority of risk committee and nomination committee members in other systemically important credit institutions must consist of independent supervisory board members.

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

[https://extranet.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Guidelines/2021/EBA-GL-2021-05%20Guidelines%20on%20internal%20governance/translations/1021320/GL%20on%20internal%20governance%20under%20CRD\\_HR%20-%20updated.pdf?retry=1](https://extranet.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-05%20Guidelines%20on%20internal%20governance/translations/1021320/GL%20on%20internal%20governance%20under%20CRD_HR%20-%20updated.pdf?retry=1)

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

[https://www.eba.europa.eu/sites/default/files/document\\_library/Publications/Guidelines/2021/1016721/Final%20report%20on%20Guidelines%20on%20internal%20governance%20under%20CRD.pdf](https://www.eba.europa.eu/sites/default/files/document_library/Publications/Guidelines/2021/1016721/Final%20report%20on%20Guidelines%20on%20internal%20governance%20under%20CRD.pdf)

Kind regards,

**Boris Vujčić**  
**Governor**