

Pursuant to Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013) and Article 3, paragraph (1) of the Decision on the reciprocity of macroprudential policy measures adopted by relevant authorities of other European Union Member States and assessment of cross-border effects of macroprudential policy measures (Official Gazette 69/2017), the Governor of the Croatian National Bank hereby issues the following

DECISION

- I. It is hereby established that the recommended criteria for the reciprocation of the macroprudential policy measure adopted by the macroprudential authority of France and recommended for reciprocation by the European Systemic Risk Board under Recommendation ESRB/2018/8 of 5 December 2018 have not been met in the Republic of Croatia.
- II. The Croatian National Bank shall not prescribe the reciprocation of the macroprudential policy measure referred to in item I.
- III. The Croatian National Bank shall monitor the materiality of exposures of domestic other systemically institutions to the French non-financial corporations sector and, in case the prescribed combined materiality threshold of such exposures is exceeded, prescribe the reciprocation of the measure referred to in item I.

Rationale

The macroprudential authority of France adopted a macroprudential measure limiting large exposures referred to in Article 395, paragraph (1) of Regulation (EU) No 575/2013 to highly-indebted large non-financial corporations having their registered office in France to 5 per cent of eligible capital. Pursuant to Article 458, paragraph (2), item (d), sub-item (ii) of Regulation (EU) No 575/2013, the measure applies to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) at the highest level of consolidation of their banking prudential parameter.

In Recommendation ESRB/2018/8 of 5 December 2018, the European Systemic Risk Board recommended that the relevant authorities of Member States reciprocate the French measure by applying it to domestic G-SIIs and O-SIIs at the highest level of consolidation of their prudential parameter. The recommendation is complemented by a combined materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure, consisting of:

- (a) a threshold of EUR 2 billion for the total original exposures of domestic G-SIIs and O-SIIs at the highest level of consolidation of the banking prudential perimeter to the French non-financial corporations sector;
- (b) a threshold of EUR 300 million applicable to domestic G-SIIs and O-SIIs exceeding the threshold referred to in item (a) for:
 - i. a single original exposure to a non-financial corporation having its registered office in France;

- ii. the sum of original exposures to a group of connected non-financial corporations, which has its registered office at the highest level of consolidation in France;
- iii. the sum of original exposures to non-financial corporations having their registered office in France which are part of a group of connected corporations having its registered office at the highest level of consolidation outside France as reported in templates C 28.00 and C 29.00 of Annex VIII to Implementing Regulation (EU) No 680/2014;

(c) a threshold of 5 per cent of the G-SII's or O-SII's eligible capital at the highest level of consolidation, for exposures identified in (b) after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Articles 399 to 403 of Regulation (EU) No 575/2013.

Pursuant to Section 2.2.1 of Recommendation ESRB/2015/2, where there are no domestic G-SIIs or O-SIIs at the highest level of consolidation of their banking prudential parameter in the Member State having exposures to the French non-financial corporations sector above the specified combined materiality threshold, the relevant authorities of the Member States concerned may decide not to reciprocate the French measure.

As there are no credit institutions having exposures to the French non-financial corporations sector above the specified combined materiality threshold in the Republic of Croatia, the Croatian National Bank decided not to prescribe the reciprocation of the macroprudential policy measure adopted in France.

The Croatian National Bank shall, once a year, review the materiality of exposure of domestic other systemically important institutions to the French non-financial corporations sector and, in case the prescribed combined materiality threshold of such exposures is breached, review its decision on the reciprocation of the measure.

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Zagreb, 28 June 2019

Croatian National Bank

Governor

Boris Vujčić