

**OG 146/2020 (28 December 2020), Act on Amendments to the Credit Institutions Act**

## **THE CROATIAN PARLIAMENT**

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**

I hereby promulgate the Act on Amendments to the Credit Institutions Act passed by the Croatian Parliament at its session on 18 December 2020.

Class: 011-01/20-01/132

No.: 71-10-01/1-20-2

Zagreb, 22 December 2020

The President of the Republic of Croatia  
Zoran Milanović, m.p.

#### **ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT**

##### Article 1

In the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019 and 47/2020), 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) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019)."

Item (5) is deleted.

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

The former item (7), which becomes item (6), is amended to read:

"6) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012 of the European Parliament and of the

Council (OJ L 173, 12.6.2014, hereinafter referred to as 'Directive 2014/59/EU'), as last amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (OJ L 150, 7.6.2019).".

Paragraph (2) is amended to read:

"(2) This Act further regulates the implementation of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, hereinafter referred to as 'Regulation (EU) No 575/2013'), as last amended by Regulation 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds (OJ L 328, 18.12.2019).".

## Article 2

In Article 3, before the words "For the purposes of this Act", a paragraph designation is inserted which reads: "(1)".

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

"1) '*immediate family member*' means:

1. the spouse or the person who, in accordance with a special law, has the status equivalent to that in a marriage, or a person with whom the person has concluded a life partnership in accordance with the law governing same-sex life partnerships;
2. a parent, 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;".

After item (13), items (13a) and (13b) are inserted which read:

"13a) '*global systemically important credit institution*' (hereinafter referred to as 'G-SII') shall have the meaning as defined in Article 4, paragraph (1), item (133) of Regulation (EU) No 575/2013;

13b) '*non-EU global systemically important credit institution*' (hereinafter referred to as 'non-EU G-SII') shall have the meaning as defined in Article 4, paragraph (1), item (134) of Regulation (EU) No 575/2013;".

Item (14) is amended to read:

"14) '*group*' shall have the meaning as defined in Article 4, paragraph (1), item (138) of Regulation (EU) 575/2013;".

After item (14), item (14a) is inserted which reads:

"14a) '*third-country group*' means a group the parent undertaking of which is established in a third country;"

After item (19), item (19a) is inserted which reads:

"19a) '*institution*' shall have the meaning as defined in Article 4, paragraph (1), item (3) of Regulation (EU) No 575/2013."

Item (21) is amended to read:

"21) '*internal approaches*' means approaches for which prior supervisory permission is required, including the Internal Ratings Based Approach referred to in Article 143, paragraph (1), the model of own LGD estimates referred to in Article 161, paragraph (3), an internal model to calculate a credit valuation adjustment (CVA) referred to in Article 162, paragraph (2), item (h), the Internal Models Approach referred to in Article 221, paragraph (1), the Own Estimates Approach referred to in Article 225, the Internal Model Method referred to in Article 283, paragraph (1), the Advanced Measurement Approach referred to in Article 312, paragraph (2), the model to calculate delta for OTC-options referred to in Article 329, paragraph (1), the sensitivity model to calculate the positions referred to in Article 331, paragraph (1), the model to calculate delta referred to in Article 358, paragraph (3), an internal model to calculate own funds requirements referred to in Article 363, paragraph (1), an internal model for correlation trading referred to in Article 377, paragraph (1), and an internal model referred to in Article 383, paragraph (4) of Regulation (EU) No 575/2013;"

Item (24) is amended to read:

"24) '*consolidating supervisor*' shall have the meaning as defined in Article 4, paragraph (1), item (41) of Regulation (EU) No 575/2013; in the Republic of Croatia, consolidating supervisor is the Croatian National Bank where it is designated as the consolidating supervisor in Article 278 of this Act;"

After item (28), item (28a) is inserted which reads:

"28a) '*credit institution which is not a large credit institution*' means a credit institution which does not meet the conditions laid down in Article 4, paragraph (1), item (146) of Regulation (EU) No 575/2013 and whose four-year average assets reported in audited financial statements as at the last day of the preceding four business years on an individual basis do not exceed an amount equivalent to EUR 1 billion;"

After item (29b), items (29c) and (29d) are inserted which read:

"29c) '*small and non-complex credit institution*' means a credit institution which meets the conditions referred to in Article 4, paragraph (1), item (145) of Regulation (EU) No 575/2013, where, for the purpose of the applicable threshold referred to in sub-item (b) of that item of Regulation (EU) No 575/2013, in the Republic of Croatia that threshold is lowered to an amount equivalent to EUR 1 billion;

29d) '*small remuneration*' means remuneration of a credit institution's staff member whose gross variable remuneration on an annual basis does not exceed the amount of HRK 200,000.00

and does not account for more than one third of the staff member's total gross remuneration on an annual basis;".

Items (31) and (32) are amended to read:

"31) '*parent institution in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (28) of Regulation (EU) No 575/2013;

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

After item (32), items (32a), (32b) and (32c) are inserted which read:

"32a) '*EU parent 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;

32b) '*parent credit institution in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (29c) of Regulation (EU) 575/2013;

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

Items (33) and (34) are amended to read:

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

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

After item (34), items (34a), (34b), (34c) and (34d) are inserted which read:

"34a) '*parent investment firm in a Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013;

34b) '*EU parent investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (29b) of Regulation (EU) No 2013/2013;

34c) '*EU parent investment firm having its head office in the RC*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;

34d) '*RC parent investment firm*' shall have the meaning as defined in Article 4, paragraph (1), item (29a) of Regulation (EU) No 575/2013 and shall have its head office in the Republic of Croatia;".

Item (58) is amended to read:

"58) '*working day*' means a day other than a Saturday, a Sunday or a non-working day which has been declared a non-working day in accordance with the regulations of the Republic of Croatia, and in procedures in which the European Central Bank participates a non-working day also means a non-working day of the European Central Bank;"

After item (62), item (62a) is inserted which reads:

"62a) '*gender neutral remuneration policy*' means a remuneration policy based on equal pay for male and female workers for equal work or work of equal value;"

After item (67), item (67a) is inserted which reads:

"67a) '*resolution entity*' means:

- a legal person having its head office in the EU in respect of which the group resolution plan provides for resolution action; or
- a credit institution having its head office in the Republic of Croatia that is not part of a group in respect of which the resolution plan provides for resolution action;"

After item (75), item (75a) is inserted which reads:

"75a) '*guidance on additional own funds*' means expectations of the competent authority to maintain the own funds above the levels of own funds requirements as set out in Part Three, Part Four and Part Seven of Regulation (EU) No 575/2013 and Chapter 2 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (hereinafter referred to as 'Regulation (EU) 2017/2402'), and imposed by Article 224, paragraph (1), item (20) of this Act and defined in Article 3, item (91) of this Act or pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013, and, as applicable, which are necessary to attain the total level of own funds which the competent authority deems appropriate in accordance with Article 228a, paragraph (2) of this Act;"

After item (81a), item (81b) is inserted which reads:

"81b) '*financial sector entity*' shall have the meaning as defined in Article 4, paragraph (1), item (27) of Regulation (EU) No 575/2013;"

After item (86), item (86a) is inserted which reads:

"86a) '*management body*' means an institution's body or bodies, which are appointed in accordance with the regulations of the Republic of Croatia or regulations of other countries, which are empowered to set the institution's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the institution; for credit institutions in the Republic of Croatia, it means the management and supervisory board;"

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

"(2) The terms used in this Act that have a gender-specific connotation shall refer to both the male and female genders."

#### Article 3

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

"(1) A credit institution having its head office in the Republic of Croatia may, under the conditions laid down in this Act, operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013."

#### Article 4

In Article 11, after paragraph (2), new paragraph (3) is inserted which reads:

"(3) For the purposes of Article 124, paragraph (1a) of Regulation (EU) No 575/2013, the Croatian National Bank shall be the designated authority that assesses the appropriateness of the risk weight referred to in Article 125, paragraph (2) or Article 126, paragraph (2) of Regulation (EU) No 575/2013".

The former paragraph (3) becomes paragraph (4).

#### Article 5

The title of Article 11c is amended to read: "*Identifying a significant supervised entity*".

In Article 11c, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall cooperate with the European Central Bank in assessing the significance of a supervised entity or a supervised group. The Croatian National Bank shall reach a decision to identify a supervised entity or a supervised group as significant in accordance with the instructions given by the European Central Bank and shall notify such a decision to the credit institution or the parent credit institution in a group of credit institutions in the Republic of Croatia."

#### Article 6

In Article 20, paragraph (4), item (2), after the words "Regulation (EU) No 575/2013", the words "or the law governing the resolution of credit institutions and investment firms" are added.

#### Article 7

In Article 24, paragraphs (5) and (6) are amended to read:

"(5) When granting prior approval the Croatian National Bank shall set a time limit within which the person who obtained the prior approval is obligated to complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof.

(6) If a person who obtained the prior approval fails to complete the acquisition of a qualifying holding within the time limit referred to in paragraph (5) of this Article, the person may, not later than 30 days before the expiry of that time limit, submit a reasoned request to the Croatian National Bank for an extension of that time limit."

#### Article 8

In Article 26, paragraph (1), the words "five working days of the receipt of the application" are replaced by the words "five working days of receipt of a valid application".

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

"(9) The time limit referred to in paragraph (4) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure pursuant to Article 323a of this Act."

#### Article 9

In Article 28, paragraph (1), item (3) is deleted.

The former items (4) to (6) become items (3) to (5).

#### Article 10

In Article 30, paragraph (6) is amended to read:

"(6) The decision referred to in paragraphs (1) and (2) of this Article shall be delivered to the persons referred to in paragraphs (1) and (2) of this Article, the credit institution, the Central Depository and Clearing Company and the register of companies for the purpose of entering a note on the suspension of the voting rights arising from the shares ordered to be sold."

Paragraph (7) is amended to read:

"(7) As of the date of enforceability of the decision referred to in paragraphs (1) and (2) of this Article, the acquirer may not exercise the voting rights arising from any share ordered to be sold."

In paragraph (8), item (1) is amended to read:

"1) ensure that the acquirer referred to in paragraphs (1) and (2) of this Article does not exercise the voting rights arising from any share ordered to be sold; and"

In paragraph (9), item (2) is amended to read:

"2) that the acquirer may not exercise any voting right from any share ordered to be sold."

#### Article 11

Article 31 and its title are deleted.

#### Article 12

In Article 35, after paragraph (3), new paragraph (4) is inserted which reads:

"(4) The overall composition of the management board and the supervisory board shall reflect an adequately broad range of experiences."

The former paragraph (4) becomes paragraph (5).

#### Article 13

In Article 37, paragraph (2), the words "referred to in Article 258 of this Act" are deleted.

In paragraph (3), the words "or 259" are deleted.

#### Article 14

In Article 38, after paragraph (1), new paragraph (2) is inserted which reads:

"(2) A credit institution shall ensure that management board members at all times meet the criteria for management board members referred to in paragraph (1) of this Article."

The former paragraph (2) becomes paragraph (3).

In the former paragraph (3), which becomes paragraph (4), in the fourth indent, the words "paragraph (2)" are replaced by the words "paragraph (3)".

The former paragraphs (4) and (5) become paragraphs (5) and (6).

#### Article 15

In Article 39, paragraph (8), after the words "activities falling within their personal competence", the words "and may conduct an interview with the candidates" are added.

#### Article 16

Article 43 and its title are deleted.

#### Article 17

In Article 44, paragraph (1), item (3) is deleted.

The former items (4) to (7) become items (3), to (6).

Paragraph (2) is deleted.

The former paragraphs (3) and (4) become paragraphs (2) and (3).

In the former paragraph (5) which becomes paragraph (4) the words "paragraphs (1) and (3)" are replaced by the words "paragraphs (1) and (2)".

The former paragraphs (6), (7) and (8) become paragraphs (5), (6) and (7).

#### Article 18

In Article 45, after paragraph (1), new paragraph (2) is inserted which reads:

"(2) A credit institution shall ensure that supervisory board members at all times meet the criteria for supervisory board members referred to in paragraph (1) of this Article."

The former paragraph (2), which becomes paragraph (3), is amended to read:

"(3) The supervisory board of a credit institution which is not a small and non-complex credit institution 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."

In the former paragraph (3), which becomes paragraph (4), the words "paragraph (2)" are replaced by the words "paragraph (3)".

The former paragraphs (4), (5) and (6) become paragraphs (5), (6) and (7).

In the former paragraph (7), which becomes paragraph (8), in the fourth indent, the words "paragraph (5)" are replaced by the words "paragraph (6)".

#### Article 19

In Article 46, after paragraph (7), new paragraph (8) is inserted which reads:

"(8) When deciding whether to grant prior approval, the Croatian National Bank may conduct an interview with candidates for supervisory board members."

The former paragraph (8) becomes paragraph (9).

In the former paragraph (9), which becomes paragraph (10), the words "paragraphs (4) to (9)" are replaced by the words "paragraphs (4) to (10)".

The former paragraphs (10), (11) and (12) become paragraphs (11), (12) and (13).

In the former paragraph (13), which becomes paragraph (14), the words "of paragraph (12)" are replaced by the words "of paragraph (13)".

## Article 20

In Article 49, paragraph (1), the word "and" at the end of item (6) is deleted.

After item (6), new item (7) and item (8) are inserted which read:

"7) establish and review regularly the basic principles of the remuneration policy, and be responsible for overseeing its implementation;

8) ensure that remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and the related governance process; and".

The former item (7) becomes item (9).

## Article 21

In Article 50, paragraphs (1) and (2) are amended to read:

"(1) The supervisory board of a credit institution which is not a small and non-complex credit institution shall establish a remuneration committee, a nomination committee and a risk committee.

(2) If a credit institution is a small and non-complex credit institution and it has not established a remuneration committee or a nomination committee, the supervisory board shall perform the tasks referred to in Article 51 and/or Article 53 of this Act."

Paragraph (3) is deleted.

The former paragraphs (4) and (5) become paragraphs (3) and (4).

## Article 22

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

"(3) A small and non-complex credit institution 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 23

In Article 60, paragraph (1) is amended to read:

"(1) A credit institution shall receive authorisation from the Croatian National Bank to operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 (hereinafter referred to as 'authorisation')."

After paragraph (6), paragraphs (7) and (8) are added which read:

"(7) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has obtained authorisation pursuant to the regulations governing the capital market, shall submit to the Croatian National Bank an application for authorisation referred to in paragraph (1) of this Article at the latest on the day when any of the following occurs:

- when the average of its monthly total assets, calculated over a period of 12 consecutive months, is equal to or exceeds an amount equivalent to EUR 30 billion; or
- when the average of its monthly total assets, calculated over a period of 12 consecutive months, is less than an amount equivalent to EUR 30 billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in the group that individually have total assets of less than an amount equivalent to EUR 30 billion and that carry out any of the activities referred to in Article 5, paragraph (1), items (3) and (6) of the Capital Market Act (Official Gazette 65/2018 and 17/2020), is equal to or exceeds an amount equivalent to EUR 30 billion, both calculated as an average over a period of 12 consecutive months.

(8) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has obtained authorisation pursuant to the regulations governing the capital market, may continue to provide the services for which it has been authorised pursuant to the regulations governing the capital market until it obtains the authorisation referred to in paragraph (1) of this Article."

#### Article 24

In Article 67, paragraph (1), the word "and" at the end of item (8) is deleted.

After item (8), new item (9) is inserted which reads:

"9) if it is evident from the documentation and from other available information that the credit institution has established governance arrangements referred to in Article 101 of this Act in a manner that enables sound and effective risk management; and".

The former item (9) becomes item (10).

After paragraph (3), new paragraph (4) is inserted which reads:

"(4) In cases referred to in Article 60, paragraph (7) of this Act, when deciding on an application for authorisation, the Croatian National Bank shall take into account information from existing authorisations."

The former paragraph (4) becomes paragraph (5).

#### Article 25

In Article 68, paragraph (1) is amended to read:

"(1) Authorisation shall lapse:

- 1) on the date of the opening of the voluntary winding-up of a credit institution;
- 2) on the date of the entry of a new credit institution in the register of companies, in case of a merger of credit institutions;

- 3) on the date of the removal of a credit institution from the register of companies, in cases referred to in Article 63, paragraphs (2), (4) and (5) of this Act; or  
4) on the date, hour and minute specified in the dispositive part of the decision to initiate the compulsory winding-up against a credit institution."

#### Article 26

In Article 69, paragraph (1), items (3) and (4) are amended to read:

- "3) where a credit institution ceases to provide the services for which it has been authorised for more than six months;  
4) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four and Six of Regulation (EU) No 575/2013, with the exception of the requirements set out in Articles 92a and 92b of Regulation (EU) No 575/2013 or the additional 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;"

At the end of item (26) the word "or" is deleted.

In item (27), after the word "decision", the full stop is deleted and the word "or" is added.

After item (27), item (28) is added which reads:

- "28) where a credit institution uses its authorisation exclusively to carry out the activities referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 and has, for a period of five consecutive years, average total assets below the thresholds set out in that Article."

Paragraph (2) is amended to read:

"(2) In the case referred to in Article 11a of this Act, whenever the European Central Bank in the exercise and performance of its supervisory powers and tasks deems that any of the reasons to revoke the authorisation exists, the Croatian National Bank shall cooperate with the European Central Bank in the decision-making procedure regarding the revocation of authorisation referred to in this Article. In this case the Croatian National Bank shall decide in accordance with the instructions given by the European Central Bank."

Paragraph (4) is amended to read:

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

#### Article 27

Article 70 and its title are deleted.

## Article 28

After Article 73, Chapter III.2a and its title are inserted and Articles 73a to 73e and their titles which read:

### "III.2a FINANCIAL HOLDING COMPANY AND MIXED FINANCIAL HOLDING COMPANY

#### *Authorisation of financial holding companies and mixed financial holding companies*

### Article 73a

(1) Where the Croatian National Bank is the consolidating supervisor, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC which is a member of the group of credit institutions in the RC referred to in Article 278 of this Act shall submit an application for authorisation to the Croatian National Bank in accordance with this Article.

(2) Other financial holding companies or mixed financial holding companies shall also submit to the Croatian National Bank an application for authorisation in accordance with this Article where they are required to comply with this Act and/or Regulation (EU) No 575/2013 on a sub-consolidated basis.

(3) The following shall be enclosed with the application for authorisation referred to in paragraphs (1) and (2) of this Article:

- information on the organisational structure of the group of which the financial holding company or the mixed financial holding company is part, with a clear indication of its subsidiaries and, where applicable, parent undertakings, and the location and type of services provided by each of the members within the group;
- information regarding the nomination of at least two persons effectively directing the financial holding company or mixed financial holding company and compliance with the requirements set out in Article 55 of this Act;
- information regarding compliance with the criteria set out in Article 28 of this Act;
- information on the internal organisation and distribution of tasks within the group of credit institutions in the RC to which that financial holding company or the mixed financial holding company belongs;
- any other documentation which the Croatian National Bank prescribed in the subordinate legislation referred to in paragraph (21) of this Article.

(4) Where the application for authorisation of a financial holding company or mixed financial holding company referred to in paragraphs (1) and (2) of this Article is submitted together with an application for prior approval to acquire a qualifying holding referred to in Article 26 of this Act, the Croatian National Bank as the consolidating supervisor shall, before adopting a decision, consult the competent authority in the Member State where the financial holding company or mixed financial holding company is established. In that case, the Croatian National Bank may extend the time limit of 20 working days referred to in Article 26, paragraph (4) of this Act for the delivery of additional documentation referred to in Article 27, paragraph (2) of this Act for a period necessary to complete the procedure referred to in this Article. The time limit referred to in Article 26, paragraph (4) of this Act shall not run during this period.

(5) The Croatian National Bank shall grant authorisation to a financial holding company or mixed financial holding company where all of the following conditions are met:

1) the internal procedures and distribution of tasks within the group ensure compliance with the requirements imposed by this Act and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis and, in particular, are effective to:

– coordinate all the subsidiaries of the financial holding company or mixed financial holding company including, where necessary, through an adequate distribution of tasks among subsidiary institutions;

– prevent or manage intra-group conflicts; and

– enforce the group-wide policies set by the parent financial holding company or parent mixed financial holding company throughout the group;

2) the organisational structure of the group of which the financial holding company or mixed financial holding company is part does not obstruct or otherwise prevent the effective supervision of the subsidiary institutions or parent institutions as concerns the individual, consolidated and, where appropriate, sub-consolidated obligations to which they are subject. The assessment of that criterion shall take into account, in particular:

– the position of the financial holding company or mixed financial holding company in a multi-layered group;

– the ownership structure; and

– the role of the financial holding company or mixed financial holding company within the group;

3) the criteria referred to in Articles 28 and 55 of this Act are complied with.

(6) By way of derogation from paragraphs (1) and (2) of this Article, the RC parent financial holding company, the RC parent mixed financial holding company, the EU parent financial holding company having its head office in the RC and the EU parent mixed financial holding company having its head office in the RC which is a member of the group of credit institutions in the RC referred to in Article 278 of this Act shall not be obligated to submit an application for authorisation in accordance with this Article where they can demonstrate to the Croatian National Bank that all of the following conditions are met:

1) the financial holding company's principal activity is to acquire holdings in subsidiaries;

2) the mixed financial holding company's principal activity with respect to institutions or financial institutions is to acquire holdings in subsidiaries;

3) in accordance with the resolution strategy determined by the competent resolution authority pursuant to regulations governing the resolution of credit institutions and investment firms, the financial holding company or mixed financial holding company has not been designated as a resolution entity in any of the group's resolution groups in accordance with the resolution plan determined by the competent resolution authority;

4) a subsidiary credit institution is designated as responsible to ensure the group's compliance with prudential requirements on a consolidated basis and is given all the necessary means and legal authority to discharge those obligations in an effective manner;

5) the financial holding company or mixed financial holding company does not engage in taking management, operational or financial decisions affecting the group or its subsidiaries that are institutions or financial institutions; and

6) there is no impediment to the effective supervision of the group of credit institutions in the RC by the Croatian National Bank on a consolidated basis.

(7) The financial holding company or mixed financial holding company referred to in paragraph (6) of this Article shall instead of the application referred to in paragraph (1) of this Article submit to the Croatian National Bank the application for exemption from the obligation to apply for the authorisation referred to in this Article and evidence demonstrating that the conditions have been met.

(8) The financial holding company or mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in paragraph (6) of this Article shall be included in the scope of consolidation as laid down in this Act and Regulation (EU) No 575/2013.

(9) The financial holding company or mixed financial holding company referred to in paragraphs (1) and (2) of this Article shall meet the conditions referred to in paragraph (5) of this Article on an ongoing basis.

(10) The financial holding company or mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in paragraph (6) of this Article shall meet those conditions on an ongoing basis.

(11) The Croatian National Bank as the consolidating supervisor shall monitor on an ongoing basis whether the financial holding company or mixed financial holding company meets the conditions referred to in this Article.

(12) At the request of the Croatian National Bank as the consolidating supervisor, the financial holding company or mixed financial holding company shall submit the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in paragraph (5) or, where applicable, paragraph (6) of this Article.

(13) Where the Croatian National Bank as the consolidating supervisor has established that the conditions referred to in paragraph (5) of this Article are not met or in the course of monitoring on an ongoing basis referred to in paragraph (11) of this Article establishes that the conditions have ceased to be met, it may impose supervisory measures on the financial holding company or mixed financial holding company to ensure or restore, as the case may be, continuity and integrity of consolidated supervision and ensure compliance with the requirements laid down in this Act and in Regulation (EU) No 575/2013 on a consolidated basis. In doing so, the Croatian National Bank shall, where applicable, in particular take into account the effects of these supervisory measures on the financial conglomerate.

(14) To the financial holding company or mixed financial holding company, the Croatian National Bank may in particular:

- impose suspension of voting rights arising from the shares of the subsidiary institutions held by the financial holding company or mixed financial holding company;
- impose administrative sanctions on the financial holding company, the mixed financial holding company or the members of the management body or another responsible person, in accordance with the provisions of this Act;
- order to the financial holding company or mixed financial holding company to transfer holdings to its shareholders or owners of participations in its subsidiary institutions;
- designate on a temporary basis another financial holding company, mixed financial holding company or institution within the group as responsible for ensuring compliance with the requirements laid down in this Act or in Regulation (EU) No 575/2013 on a consolidated basis;

- impose a restriction or prohibition of distributions or interest payments to shareholders;
- order the sale or reduction of holdings in institutions or other financial sector entities; or
- order the submission of a plan on return, without delay, to compliance with the requirements referred to in this Act or Regulation (EU) No 575/2013.

(15) In the case referred to in paragraph (14), the first indent of this Article, suspension of the voting rights means that neither the financial holding company or mixed financial holding company, nor any other person acting on its behalf, may exercise voting rights.

(16) In the case that its voting rights are suspended, and the financial holding company or mixed financial holding company nevertheless votes at the general meeting, such votes shall be null and void.

(17) Where the Croatian National Bank has established that the conditions referred to in paragraph (6) of this Article are no longer met, the financial holding company or mixed financial holding company shall submit an application for authorisation referred to in paragraph (1) or (2) of this Article.

(18) The Croatian National Bank shall decide on the application referred to in this Article within four months of receipt of a valid application and, at the latest, within six months of receipt of the application.

(19) Where the Croatian National Bank decides to refuse the application referred to in this Article, it may impose on the financial holding company or mixed financial holding company a measure referred to in paragraph (14) of this Article.

(20) In the case referred to in paragraph (1) of this Article, in conjunction with Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

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

- the documentation to be enclosed with the application for authorisation; and
- the content of the reports and notifications, the time limits and the method of reporting information required to monitor on an ongoing basis the compliance with the conditions referred to in this Article.

*Joint decision on the compliance with the conditions by the financial holding company or mixed financial holding company where the Croatian National Bank is the consolidating supervisor*

#### Article 73b

(1) The Croatian National Bank as the consolidating supervisor and the competent authorities of another Member State where the financial holding company or mixed financial holding company is established shall exchange information on each holding company.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the competent authorities of the Member State where the financial holding company or mixed financial holding company is established to reach a joint decision on the

compliance with the conditions and the imposition of the measures referred to in Article 73a of this Act.

(3) The Croatian National Bank as the consolidating supervisor shall assess the compliance with the conditions referred to in Article 73a, paragraph (5) of this Act and shall notify the competent authority of the Member State where the financial holding company or mixed financial holding company is established of the results of that assessment.

(4) The joint decision on the compliance with the conditions referred to in Article 73a, paragraph (5) of this Article or the imposition of the measures referred to in Article 73a, paragraph (14) of this Act shall be adopted within two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article.

(5) The joint decision referred to in paragraph (4) of this Article must be written and fully reasoned. The Croatian National Bank as the consolidating supervisor shall deliver this decision to the financial holding company or mixed financial holding company.

(6) In the event of a disagreement on the joint decision referred to in this Article, the Croatian National Bank shall refrain from taking a decision.

(7) In the case referred to in paragraph (6) of this Article, the Croatian National Bank may consult the European Banking Authority.

(8) Where the European Banking Authority takes its decision within one month of receipt of the application for assistance, the joint decision shall be adopted in conformity with that decision. Where the decision of the European Banking Authority is not reached within one month of receipt of the application for assistance, the Croatian National Bank shall reach its own decision.

(9) The Croatian National Bank may not refer the matter to the European Banking Authority and request its assistance referred to in paragraph (7) of this Article after the expiry of a period of two months of the date when the competent authority of the Member State where the financial holding company or mixed financial holding company is established received the assessment referred to in paragraph (3) of this Article or after a joint decision has been reached.

(10) In the case of a mixed financial holding company, where the Croatian National Bank is not the coordinator determined in accordance with the regulations governing financial conglomerates, the Croatian National Bank shall request agreement from the coordinator before adoption of the joint decision referred to in this Article.

(11) In the case referred to in paragraph (10) of this Article, where the coordinator does not agree with the proposal of the joint decision, the Croatian National Bank shall refer the matter to the European Banking Authority or, where applicable, the European Insurance and Occupational Pensions Authority (EIOPA) and requests its assistance.

(12) A joint decision adopted in accordance with this Article shall be without prejudice to the obligations under regulations governing financial conglomerates and regulations governing the operation of insurance undertakings.

(13) In the case referred to in paragraph (1) of this Article, in conjunction with Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

*Joint decision on the compliance with the conditions by the financial holding company or mixed financial holding company where the Croatian National Bank is not the consolidating supervisor*

#### Article 73c

(1) Where the Croatian National Bank is not the consolidating supervisor of a financial holding company or mixed financial holding company established in the Republic of Croatia, the Croatian National Bank shall exchange information regarding that holding company with the consolidating supervisor.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall cooperate with the consolidating supervisor to reach a joint decision on the compliance with the conditions referred to in Article 73a, paragraph (5) of this Act and the imposition of the measures referred to in Article 73a, paragraph (14) of this Act.

(3) The joint decision referred to in paragraph (2) of this Article shall be reached within two months of receipt of the assessment prepared by the consolidating supervisor.

(4) If the joint decision referred to in paragraph (3) of this Article is reached, the Croatian National Bank shall adopt an appropriate decision and deliver it to a financial holding company or mixed financial holding company established in the Republic of Croatia.

(5) In the event of a disagreement on the joint decision referred to in paragraph (3) of this Article, the Croatian National Bank shall refrain from taking a decision and shall refer the matter to the European Banking Authority and request its assistance.

(6) Where the European Banking Authority takes its decision within one month of receipt of the application for assistance, the joint decision shall be adopted in conformity with that decision. Where the European Banking Authority does not take its decision within one month of receipt of the application for assistance, the Croatian National Bank shall take its own decision.

(7) The Croatian National Bank may not refer the matter to the European Banking Authority and request its assistance as referred to in paragraph (6) of this Article after the expiry of a period of two months of receipt of the assessment prepared by the consolidating supervisor or after a joint decision has been reached.

(8) In the case referred to in paragraph (1) of this Article, in conjunction with Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

*Revocation of authorisation of financial holding companies and mixed financial holding companies*

## Article 73d

(1) The Croatian National Bank shall revoke the authorisation referred to in Article 73a of this Article where an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC or an EU parent mixed financial holding company having its head office in the RC fails to take any action required to ensure compliance with the requirements set out in Part Three, Four, Six or Seven of Regulation (EU) No 575/2013 or the additional 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) In the case referred to in paragraph (1) of this Article, in conjunction with Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

### *Intermediate EU parent undertaking*

## Article 73e

(1) Two or more institutions having their head office in the European Union, which are part of the same third-country group, shall have a single intermediate EU parent undertaking that is established in the European Union (hereinafter referred to as 'intermediate EU parent undertaking').

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank in cooperation with other authorities competent for the supervision of a member of a third-country group may decide that the third-country group may have two intermediate EU parent undertakings where they together determine that the establishment of a single intermediate EU parent undertaking would:

- be incompatible with a mandatory requirement for separation of activities imposed by the rules or where such a decision was adopted by the supervisory authorities of the third country where the ultimate parent undertaking of the third-country group has its head office; or
- render resolvability less efficient than in the case of two intermediate EU parent undertakings according to an assessment carried out by the competent resolution authority of the intermediate EU parent undertaking.

(3) A credit institution which has been granted the authorisation referred to in Article 60 of this Act and which is a member of a third-country group together with another institution having its head office in the EU shall:

- 1) have an intermediate EU parent undertaking; or
- 2) be designated as the intermediate parent undertaking.

(4) By way of derogation from paragraph (3) of this Article, a credit institution which has been granted the authorisation referred to in Article 60 of this Act and which is part of a third-country group shall not be required to have an intermediate EU parent undertaking or, in accordance with paragraph (3) of this Article, be designated as the intermediate parent undertaking where:

- the total value of assets in the EU of all members of the third-country group is less than an amount equivalent to EUR 40 billion; or

– the credit institution which has been granted the authorisation referred to in Article 60 of this Act is the only institution in the third-country group which operates in the European Union.

(5) An intermediate EU parent undertaking may be a credit institution which has been granted the authorisation pursuant to Article 60 of this Act or a financial holding company or mixed financial holding company which has been granted the authorisation referred to in Article 73a of this Act.

(6) For the purposes of this Article, the total value of assets in the EU of the third-country group shall be the sum of the following:

- the total value of assets of each institution in the EU of the third country-group, as resulting from its consolidated balance sheet or as resulting from their individual balance sheet, where an institution's balance sheet is not consolidated; and
- the total value of assets of each branch of the third-country group authorised to establish a branch in the EU in accordance with this Act, the law governing the capital market or Regulation (EU) No 600/2014 of the European Parliament and of the Council.

(7) The Croatian National Bank shall notify the following information in respect of each third-country group operating within the territory of the Republic of Croatia to the European Banking Authority:

- the names and the total value of assets of each credit institution belonging to a third-country group which operates within the territory of the Republic of Croatia;
- the names and the total value of assets corresponding to each branch which has been authorised to establish a branch of a third-country credit institution in accordance with this Act and the types of activities for which they have been granted authorisation;
- the name and the type of any intermediate EU parent undertaking having its head office in the Republic of Croatia and the name of the third-country group of which it is part.

(8) For the purposes of this Article, the term "institution" shall also include investment firms.

(9) In the case referred to in paragraph (1) of this Article, in conjunction with Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank."

#### Article 29

In Article 75, paragraph (8), the words "significant credit institution that" are replaced by the words "significant supervised entity that".

#### Article 30

In Article 88, paragraph (1), after the introductory sentence, new item (1) is inserted which reads:

"1) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);"

The former items (1) to (4) become items (2) to (5).

In paragraph (2), after the introductory sentence, new item (1) is inserted which reads:

"1) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);".

The former items (1) to (7) become items (2) to (8).

#### Article 31

In Article 91, paragraph (1), item (4) is amended to read:

"4) where a competent court adopted a decision to initiate compulsory winding-up of the branch of the third-country credit institution."

Item (5) is deleted.

#### Article 32

In Article 92, paragraph (1), after item (7), new item (7a) is inserted which reads:

"7a) measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole (Article 144a);".

In item (18) the words "Article 246 to 249, Articles 263 and 276 and Articles 345 to 357" are replaced by the words "Articles 246, 247 and 248."

The word "and" at the end of item (20) is deleted.

Item (21) is amended to read:

"21) procedure for imposing periodic penalty payments and administrative sanctions (Articles 359a to 359r); and".

After item (21), item (22) is added which reads:

"24) misdemeanours and breaches of regulations (Articles 360 to 367)".

#### Article 33

In Article 97, paragraph (2) is deleted.

The former paragraphs (3) to (5) become paragraphs (2) to (4).

The former paragraphs (6) and (7), which become paragraphs (5) and (6), are amended to read:

"(5) A parent credit institution in a group of credit institutions in the RC, a parent financial holding company referred to in Article 278 of this Act and a parent mixed financial holding company referred to in Article 278 of this Act, and their subsidiary undertakings in a group of credit institutions in the RC shall ensure that the organisational structure, procedures and systems within the group of credit institutions referred to in paragraph (2) of this Article are consistent and well-integrated in their subsidiaries that are not subject to this Act, including those established in offshore financial centres so as to enable these subsidiaries to collect any

data and information relevant for the purposes of supervision. Subsidiary undertakings that are not themselves subject to this Act shall comply with their sector-specific requirements on an individual basis.

(6) By way of derogation from paragraph (5) of this Article, obligations under Article 101 of this Act, in the part related to third-country subsidiaries, shall not apply to a parent credit institution in a group of credit institutions in the RC, a parent financial holding company referred to in Article 278 of this Act and a parent mixed financial holding company referred to in Article 278 of this Act, and their subsidiary undertakings in a group of credit institutions in the RC if they can demonstrate to the Croatian National Bank that the compliance with these requirements would be unlawful under the laws of the third country where the subsidiary is established."

#### Article 34

After Article 97, Articles 97a and 97b and their titles are inserted which read:

#### *"Remuneration policies on a consolidated basis*

##### Article 97a

(1) By way of derogation from Article 97 of this Act, an RC parent credit institution or an EU parent credit institution having its head office in the RC shall not be required to apply on a consolidated basis the requirements referred to in Articles 100, 100a and 100b, and Article 50, paragraphs (1) and (2) of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee or the subordinate legislation adopted under Article 100, paragraph (4) of this Act to either of the following:

- 1) subsidiary undertakings established in the Republic of Croatia or another Member State where they are subject to specific remuneration requirements in accordance with other European Union legal acts;
- 2) subsidiary undertakings established in a third country where they would be subject to specific remuneration requirements in accordance with other European Union legal acts if they were established in the European Union.

(2) Notwithstanding paragraphs (1) and (3) of this Article, an RC parent credit institution and an EU parent credit institution having its head office in the RC shall be required to apply to those subsidiary undertakings the provisions on the ratio between the variable and fixed components of the total remuneration referred to in Article 100a of this Act on a consolidated basis.

(3) By way of derogation from paragraph (1) of this Article, an RC parent credit institution or an EU parent credit institution having its head office in the RC shall ensure that the requirements referred to in Articles 100, 100a and 100b, and Article 50, paragraphs (1) and (2) of this Act governing remuneration policies, variable remuneration and the establishment of a remuneration committee, and the subordinate legislation adopted under Article 100, paragraph (4) of this Act, apply to staff members of subsidiaries that are not subject to this Act on an individual basis where the following conditions are met:

- 1) the subsidiary is either an asset management company, or
- 2) an undertaking that provides the following investment services and activities:
  - execution of orders on behalf of clients;
  - dealing on own account;
  - portfolio management;

- underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
  - placing of financial instruments without a firm commitment basis; and
- 3) those staff members of subsidiaries perform professional activities that have a direct material impact on the risk profile or the business of the institutions within the group.

*Scope of application of SREP and supervisory measures*

Article 97b

The Croatian National Bank shall apply the review and evaluation process referred to in Title XVI of this Act and the supervisory measures referred to in Title XVIII of this Act in accordance with the level of application of the requirements referred to in Regulation (EU) No 575/2013, specified in Part One, Title II of that Regulation."

Article 35

Article 100 and its title are amended to read:

*"Remuneration policies*

Article 100

(1) A credit institution shall establish and implement remuneration policies proportionally to its size, internal organisation and the nature, scope and complexity of its activities.

(2) The provisions on deferral of variable remuneration, award of variable remuneration in instruments and retention and payout of discretionary pension benefits in the form of instruments referred to in the subordinate legislation adopted under paragraph (4) of this Article shall not apply to:

- 1) a credit institution which is not a large credit institution;
- 2) small remuneration of credit institution's staff members.

(3) A credit institution that contracts the payment of variable remuneration contrary to the provisions of this Act or the provisions of the subordinate legislation adopted under paragraph (4) of this Article may not pay the contracted variable remuneration and such contractual provisions shall be null and void.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the rules, procedures and criteria regarding remuneration policies, and in particular:

- the definition and type of staff remuneration;
  - the criteria for the determination of identified staff;
  - requirements regarding staff remuneration and the method and scope of their implementation;
- and
- the method of and time limits for reporting to the Croatian National Bank on staff remuneration."

## Article 36

In Article 100a, paragraph (2), item (5), the words "five working days" are replaced by the words "30 days".

## Article 37

In Article 101, paragraph (1), item (4) is amended to read:

"4) remuneration policies that are consistent with and promote sound and effective risk management and are gender neutral; and".

In paragraph (2), item (1), the fourth indent is amended to read:

"– rules on the management of the interest rate risk arising from non-trading book activities;".

Item (5) is deleted.

The former items (6) to (8) become items (5) to (7).

## Article 38

In Article 103, after paragraph (5), paragraphs (6), (7) and (8) are added which read:

"(6) A credit institution shall consistently implement internal systems, use the standardised methodology or the simplified standardised methodology to identify, evaluate, manage and mitigate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities.

(7) The standardised methodology or the simplified standardised methodology shall be determined by a regulatory technical standard adopted by the European Commission.

(8) A credit institution shall implement internal systems to assess and monitor the risks arising from potential changes in credit spreads that affect both the economic value of equity and the net interest income of an institution's non-trading book activities."

## Article 39

In Article 115, paragraphs (1) and (2), the words "that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities" are replaced by the words "that are not small and non-complex credit institutions".

Paragraph (3) is amended to read:

"(3) Credit institutions that are not small and non-complex credit institutions shall not solely rely on external credit ratings for assessing the creditworthiness of a client or financial instrument."

## Article 40

After Article 115, Article 115a and its title are inserted which read:

*"Restriction on disposal of common equity tier 1 capital*

Article 115a

(1) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

- any of the requirements referred to in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;
- the additional own funds requirements imposed by the Croatian National Bank pursuant to Article 228 of this Act to address risks other than the risk of excessive leverage; and
- the guidance communicated to them by the Croatian National Bank in accordance with Article 228a of this Act to address risks other than the risk of excessive leverage.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet one of the elements of its combined buffer requirement to meet the other applicable elements of its combined buffer requirement.

(3) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the combined buffer requirement to meet:

- the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013;
- the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013;
- the minimum requirement for own funds and eligible liabilities imposed pursuant to Article 26 of the Act on the Resolution of Credit Institutions and Investment Firms or;
- the minimum requirement for own funds and eligible liabilities for resolution entities that are part of G-SIIs and Union material subsidiaries of non-EU G-SIIs."

Article 41

In Article 117, paragraph (2) is deleted.

The former paragraph (3) becomes paragraph (2).

Article 42

In Article 118, paragraph (2) is deleted.

The former paragraph (3) becomes paragraph (2).

Article 43

In Article 119, paragraph (4) is amended to read:

"(4) The Croatian National Bank shall assess the intensity of cyclical systemic risk and the appropriateness of the countercyclical buffer rate for the Republic of Croatia on a quarterly basis, set or adjust the countercyclical buffer rate, if necessary, and adopt relevant subordinate legislation taking into account:

- the buffer guide referred to in paragraphs (2) and (3) of this Article;
- any current guidance maintained by the European Systemic Risk Board on the recognition and setting of the countercyclical buffer rate and any recommendations issued by that board on the setting of the countercyclical buffer rate; and
- other variables that the Croatian National Bank considers relevant for addressing cyclical systemic risk."

#### Article 44

In Article 123, paragraph (3) is amended to read:

"(3) The Croatian National Bank shall notify each change of the countercyclical buffer rate and the information specified in paragraph (1) of this Article to the European Systemic Risk Board."

#### Article 45

Article 129 is amended to read:

"(1) The Croatian National Bank shall be the designated authority responsible for setting the structural systemic risk buffer for credit institutions and for identifying the exposures and subsets of credit institutions to which the structural systemic risk buffer applies.

(2) In the case referred to in Article 11a, paragraph (7) of this Act, the Croatian National Bank shall perform macroprudential tasks together with the European Central Bank and shall in this case follow the instructions given by the European Central Bank with respect to setting the structural systemic risk buffer.

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

- the rates and method of maintaining the structural systemic risk buffer referred to in paragraph (1) of this Article;
- the method of applying the structural systemic risk buffer referred to in Article 131 of this Act; and
- the method of calculating the structural systemic risk buffer.

(4) The Croatian National Bank shall adopt the subordinate legislation referred to in paragraph (3) of this Article to set the rate and method of maintaining a structural systemic risk buffer for all credit institutions or for one or more subsets of credit institutions, for all exposures or a subset of exposures as referred to in Article 131, paragraph (3) of this Act, in order to prevent or mitigate structural systemic risks not covered by Regulation (EU) No 575/2013 and Titles VII.2 and VII.4 of this Act."

#### Article 46

In Article 130, paragraph (1) is amended to read:

"(1) Credit institutions shall be required to maintain a structural systemic risk buffer calculated in accordance with the subordinate legislation referred to in Article 129, paragraph (3) of this Act by common equity tier 1 capital in the amount and in the manner set by the Croatian National Bank."

Paragraph (2) is deleted.

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

#### Article 47

Article 131 is amended to read:

"(1) In the subordinate legislation referred to in Article 129, paragraph (3) of this Act, the Croatian National Bank may specify that a structural systemic risk buffer shall apply to:

- 1) all exposures located in the Republic of Croatia;
- 2) the following sectoral exposures located in the Republic of Croatia:
  - all retail exposures to natural persons which are secured by residential property;
  - all exposures to legal persons which are secured by commercial immovable property;
  - all exposures to legal persons excluding those specified in the second indent of this item;
  - all exposures to natural persons excluding those specified in the first indent of this item;
- 3) all exposures located in other Member States, in accordance with Article 132, paragraph (12) of this Act and in accordance with paragraphs (5) and (6) of this Article;
- 4) sectoral exposures, as identified in item (2) of this paragraph, located in other Member States only to enable recognition of a buffer rate set by another Member State in accordance with Article 134 of this Act;
- 5) exposures located in third countries; or
- 6) subsets of any of the exposure categories identified in item (2) of this paragraph.

(2) The Croatian National Bank shall set the structural systemic risk buffer rate as multiples of 0.5 percentage points.

(3) The Croatian National Bank may set different structural systemic risk buffer rates for different subsets of credit institutions and of exposures.

(4) When setting a structural systemic risk buffer to be maintained the Croatian National Bank shall take account that this buffer does not entail disproportionate adverse effects on the whole or parts of the financial system of other Member States or of the European Union as a whole forming or creating an obstacle to the functioning of the internal market.

(5) Where the Croatian National Bank decides to apply the structural systemic risk buffer to exposures of credit institutions in other Member States, the buffer shall be set equally on all exposures located within the European Union.

(6) By way of derogation from paragraph (5) of this Article, the structural systemic risk buffer rate for exposures of credit institutions in a specific Member State may be different only where the Croatian National Bank has recognised the structural systemic risk buffer rate set by that Member State in accordance with Article 134 of this Act.

(7) The Croatian National Bank shall review the structural systemic risk buffer at least every second year."

#### Article 48

Article 132 is amended to read:

"(1) Where the structural systemic risk buffer rate or rates that the Croatian National Bank intends to set on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more rates of that buffer does not result in a combined systemic risk buffer rate higher than 3% for any of those exposures, the Croatian National Bank shall notify thereof the European Systemic Risk Board one month before the publication of the decision referred to in Article 133 of this Act.

(2) The recognition of a structural systemic risk buffer rate set by another Member State in accordance with Article 134 of this Act shall not count towards the 3% threshold referred to in paragraph (1) of this Article.

(3) Where the credit institution to which one or more structural systemic risk buffer rates apply is a subsidiary the parent of which is established in another Member State, the Croatian National Bank shall forward the notification referred to in paragraph (1) of this Article to the competent and designated authorities of that Member State.

(4) The notification referred to in paragraph (1) of this Article shall describe in detail:

- 1) the systemic or macroprudential risk in the Republic of Croatia;
- 2) the reasons why the dimension of the systemic or macroprudential risks threatens the stability of the financial system in the Republic of Croatia justifying the structural systemic risk buffer rate;
- 3) the justification for why the Croatian National Bank considers the proposed structural systemic risk buffer likely to be proportionate and effective to mitigate the risk;
- 4) an assessment of the likely positive or negative impact of the structural systemic risk buffer on the internal market, based on information which is available;
- 5) the structural systemic risk buffer rate or rates that the Croatian National Bank intends to impose, the exposures to which the rate or rates apply and the credit institutions to which these rates apply;
- 6) where the structural systemic risk buffer rate applies to all exposures, a justification of why the Croatian National Bank considers that the structural systemic risk buffer is not duplicating the functioning of the O-SII buffer.

(5) Where the decision of the Croatian National Bank to set the structural systemic risk buffer rate results in a decrease or no change from the previously set buffer rate, the Croatian National Bank shall act in accordance with paragraphs (1) to (4) of this Article.

(6) Where the Croatian National Bank intends to set a structural systemic risk buffer rate or rates on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more structural systemic risk buffers, which results in a combined structural systemic risk buffer rate at a level higher than 3% and up to 5% for any of those exposures, the Croatian National Bank shall in the notification referred to in paragraph (1) of this Article request an opinion of the European Commission.

(7) 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 doing so.

(8) In the case referred to in paragraph (6) of this Article, where the credit institution to which one or more structural systemic risk buffer rates apply is a subsidiary the parent of which is established in another Member State, the Croatian National Bank shall in the notification referred to in paragraph (3) of this Article forward the recommendation of the European Commission and the European Systemic Risk Board.

(9) In the case referred to in paragraph (6) of this Article, where the relevant authorities of the other Member State responsible for subsidiaries and parent undertakings express disagreement with the proposed structural systemic risk buffer rate or rates applicable to that credit institution and where the European Commission and the European Systemic Risk Board issue a negative recommendation, the Croatian National Bank may not implement the decision on the structural systemic risk buffer, but 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.

(10) The Croatian National Bank shall suspend the adoption of a decision on the buffer until the European Banking Authority has taken a decision referred to in paragraph (9) of this Article and shall adopt a decision accordingly.

(11) The Croatian National Bank may express disagreement when a relevant authority of another Member State notifies it of the structural systemic risk buffer referred to in paragraph (6) of this Article that applies to a subsidiary credit institution from that Member State whose parent is established in the Republic of Croatia.

(12) Where the Croatian National Bank intends to set a structural systemic risk buffer rate or rates on any set or subset of exposures referred to in Article 131, paragraph (1) of this Act subject to one or more structural systemic risk buffers, which results in a combined structural systemic risk buffer rate at a level higher than 5% for any of those exposures, the Croatian National Bank shall, before adopting that decision, request the authorisation of the European Commission.

(13) The Croatian National Bank may apply the rate referred to in paragraph (12) of this Article after the European Commission authorises the implementation of that rate."

#### Article 49

Article 133 is amended to read:

"(1) After setting one or more structural systemic risk buffer rates in accordance with Article 132 of this Act, the Croatian National Bank shall publish a decision on the application of the structural systemic risk buffer in the Official Gazette and announce it on its website.

(2) The publication referred to in paragraph (1) of this Article shall include at least the following information:

- 1) the structural systemic risk buffer rate;
- 2) the credit institutions to which the structural systemic risk buffer applies;

- 3) the exposures to which the structural systemic risk buffer rate or rates apply;
- 4) a justification for setting the structural systemic risk buffer rate or rates, except in cases where it could jeopardise the stability of the financial system;
- 5) the date from which the credit institutions shall apply a particular structural systemic risk buffer rate or rates; and
- 6) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.

(3) The decision referred to in paragraph (1) of this Article shall contain the structural systemic risk buffer rate, indication of the credit institutions to which the structural systemic risk buffer applies, the date from which it shall be applied and the names of the countries to which the structural systemic risk buffer applies."

#### Article 50

In Article 134, paragraph (2) is amended to read:

"(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall publish that decision in the Official Gazette and announce it on its website and shall notify the European Systemic Risk Board thereof."

After paragraph (3), new paragraph (4) is inserted which reads:

"(4) Where the Croatian National Bank, in accordance with paragraph (1) of this Article, recognises a structural systemic risk buffer rate, that structural systemic risk buffer may be cumulative with the structural systemic risk buffer applied in accordance with Articles 129 to 132 of this Act, provided that the buffers address different risks. Where the buffers address the same risks, credit institutions shall apply only the higher buffer."

The former paragraph (4) becomes paragraph (5).

#### Article 51

In Article 135, paragraphs (3) to (7) are amended to read:

"(3) G-SIIs may be any of the following:

- 1) a group headed by an EU parent credit institution having its head office in the RC, an EU parent financial holding company having its head office in the RC, or an EU parent mixed financial holding company having its head office in the RC; or
- 2) a credit institution that is not a subsidiary of an EU parent credit institution, of an EU parent financial holding company or of an EU parent mixed financial holding company.

(4) Each G-SII shall, on a consolidated basis, maintain a G-SII buffer which shall correspond to the sub-category referred to in Article 136, paragraph (5) of this Act to which the G-SII is allocated. That buffer shall consist of common equity tier 1 capital.

(5) The Croatian National Bank shall notify to the European Systemic Risk Board the names of the G-SIIs and the respective sub-category to which each G-SII is allocated and shall publicly disclose this information on its website.

(6) The notification referred to in paragraph (5) of this Article shall contain full reasons why supervisory judgment has been exercised or not in accordance with Article 136, paragraph (10), items (1), (2) and (3) of this Act.

(7) The Croatian National Bank shall identify a G-SII and the respective sub-category to which it is allocated by adopting a decision."

## Article 52

Article 136 is amended to read:

"(1) The identification methodology for G-SIIs shall be based on the following categories, each of which shall receive an equal weighting and shall consist of quantifiable indicators:

- 1) size of the group;
- 2) interconnectedness of the group with the financial system;
- 3) substitutability of the services or of the financial infrastructure provided by the group;
- 4) complexity of the group;
- 5) cross-border activity of the group, including cross-border activity between the Republic of Croatia and other Member States and between the Republic of Croatia and a third country.

(2) An additional identification methodology for G-SIIs shall be based on the following categories:

- 1) the categories referred to in paragraph (1), items (1) to (4) of this Article;
- 2) cross-border activity of the group, excluding the group's activities across participating Member States as referred to in Article 4 of Regulation (EU) No 806/2014 of the European Parliament and of the Council.

(3) Each category referred to in paragraph (2) of this Article shall receive an equal weighting and shall consist of quantifiable indicators. For the categories referred to in paragraph (2), item (1) of this Article, the indicators shall be the same as the corresponding indicators determined pursuant to paragraph (1) of this Article.

(4) The additional identification methodology for G-SIIs referred to in paragraph (2) of this Article shall produce an additional overall score for each assessed entity as referred to in Article 135, paragraph (3) of this Act, on the basis of which the Croatian National Bank may take one of the measures referred to in paragraph (10), item (3) of this Article.

(5) The methodology referred to in paragraphs (1) to (4) of this Article shall produce an overall score for each entity referred to in Article 135, paragraph (3) of this Act that is being assessed, which allows G-SIIs to be identified and allocated into one of at least five sub-categories as described in paragraphs (6), (7), (8) and (9) of this Article.

(6) Based on the overall scores under the identification methodology for G-SIIs, the Croatian National Bank shall determine the lowest boundary and the boundaries between each sub-category.

(7) The cut-off scores between adjacent sub-categories shall be defined clearly and shall adhere to the principle that there is a constant linear increase of systemic significance between each

sub-category, resulting in a linear increase in the requirement of additional common equity tier 1 capital.

(8) Systemic significance is the expected impact exerted by the G-SII's distress on the global financial market.

(9) G-SIIs shall maintain a G-SII buffer in such a way that the lowest sub-category is assigned a G-SII buffer of 1% of the total risk exposure amount and the buffer assigned to each next sub-category shall increase in gradients of at least 0.5% of the total risk exposure amount.

(10) Regardless of the results of the methodology referred to in this Article, the Croatian National Bank may, in the exercise of sound supervisory judgement:

- 1) re-allocate a G-SII from a lower sub-category to a higher sub-category;
- 2) allocate an entity as referred to in Article 135, paragraph (3) of this Act that has an overall score as referred to in paragraph (5) of this Article that is lower than the cut-off score of the lowest sub-category to that sub-category or to a higher sub-category, thereby designating it as a G-SII;
- 3) taking into account the Single Resolution Mechanism, on the basis of the result derived in paragraph (2) of this Article, re-allocate a G-SII from a higher sub-category to a lower sub-category.

(11) The Croatian National Bank shall review annually the identification of G-SIIs and the G-SII allocation into the respective sub-categories.

(12) The Croatian National Bank shall report the result of the review referred to in paragraph (11) of this Article to the G-SII concerned and the European Systemic Risk Board and shall publicly disclose on its website the updated list of identified G-SIIs and the sub-category into which each identified G-SII is allocated."

## Article 53

Article 137 is amended to read:

"(1) The Croatian National Bank shall identify, on an individual, sub-consolidated or consolidated basis, as applicable, other systemically important credit institutions (O-SIIs) in the Republic of Croatia.

(2) The Croatian National Bank shall be the designated authority for identifying O-SIIs.

(3) O-SIIs may be any of the following:

- 1) a group of credit institutions headed by an EU parent credit institution having its head office in the RC, an EU parent financial holding company having its head office in the RC, or an EU parent mixed financial holding company having its head office in the RC;
- 2) a group of credit institutions headed by an RC parent credit institution, an RC parent financial holding company, or an RC parent mixed financial holding company; or
- 3) a credit institution.

(4) The Croatian National Bank shall set an O-SII buffer rate, on a consolidated, sub-consolidated or individual basis, as applicable, of up to 3% of the total risk exposure amount, taking into account the criteria for the identification of the O-SII.

(5) The O-SII buffer shall consist of common equity tier 1 capital.

(6) In the case referred to in Article 11a of this Act, the Croatian National Bank shall perform macroprudential tasks together with the European Central Bank and shall in this case follow the instructions given by the European Central Bank with respect to setting the O-SII buffer rate.

(7) Each O-SII shall maintain an O-SII buffer in the amount set by the Croatian National Bank taking into account paragraph (9) of this Article and Article 139 of this Act.

(8) By way of derogation from paragraph (4) of this Article, the Croatian National Bank may set an O-SII buffer higher rate than 3% of the total risk exposure amount for each O-SII, on a consolidated, sub-consolidated or individual basis, as applicable, subject to the authorisation of the European Commission.

(9) By way of derogation from paragraph (4) of this Article and Article 129 of this Act, where an O-SII is a subsidiary of either a G-SII or an O-SII which is either a credit institution or a group headed by an EU parent institution, and subject to an O-SII buffer on a consolidated basis, the buffer that applies on an individual or sub-consolidated basis for the O-SII shall not exceed the lower of:

- 1) the sum of the higher of the G-SII or the O-SII buffer rate applicable to the group on a consolidated basis and 1% of the total risk exposure amount; and
- 2) 3% of the total risk exposure amount or the rate the European Commission has authorised to be applied to the group on a consolidated basis in accordance with paragraph (8) of this Article.

(10) The Croatian National Bank shall notify the European Systemic Risk Board of the names of the O-SIIs, the respective sub-category to which each O-SII is allocated, and the O-SII buffer rates and shall publicly disclose this information on its website.

(11) The notification referred to in paragraph (10) of this Article shall contain full reasons why supervisory judgment has been exercised or not in accordance with Article 136, paragraph (10), items (1), (2) and (3) of this Act.

(12) The Croatian National Bank shall by a decision identify O-SIIs and the buffer rate for each O-SII."

#### Article 54

In Article 138, paragraph (3) is amended to read:

"(3) Before setting or resetting an O-SII buffer, the Croatian National Bank shall notify thereof the European Systemic Risk Board one month before the publication of the decision referred to in Article 137, paragraph (4) of this Act or three months before the publication of the decision referred to in Article 137, paragraph (8) of this Act."

After paragraph (3), new paragraph (4) is inserted which reads:

"(4) The notification referred to in paragraph (3) of this Article shall describe in detail:

- 1) the justification for why the Croatian National Bank considers the proposed O-SII buffer likely to be proportionate and effective to mitigate the risk;
- 2) an assessment of the likely positive or negative impact of the O-SII buffer on the internal market, based on information which is available;
- 3) the O-SII buffer rate that the Croatian National Bank intends to prescribe."

The former paragraph (4), which becomes paragraph (5), is amended to read:

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

The former paragraph (5) is deleted.

Paragraph (6) is amended to read:

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

#### Article 55

The title of Article 139 is amended to read: "*Correlation between a structural systemic risk buffer, a G-SII buffer and an O-SII buffer*".

Article 139 is amended to read:

"(1) Where a group of credit institutions in the RC, on a consolidated basis, is subject to a G-SII buffer and to an O-SII buffer, the higher buffer shall apply to this group of credit institutions on a consolidated basis.

(2) Where a credit institution is subject to a structural systemic risk buffer, set in accordance with Title VII.3 of this Act, that buffer shall be cumulative with the O-SII buffer or the G-SII buffer that is applied in accordance with Title VII.4 of this Act.

(3) In the case referred to in paragraph (2) of this Article, where the sum of the structural systemic risk buffer rate set in accordance with Article 131 of this Act and the O-SII buffer rate set in accordance with Article 137 of this Act or the G-SII buffer rate set in accordance with Article 136 of this Act to which the same credit institution is subject to would be higher than 5%, the Croatian National Bank shall request the authorisation of the European Commission in accordance with Article 137 of this Act.

(4) The Croatian National Bank may set the buffer rates referred to in paragraph (3) of this Article the sum of which would be higher than 5% of the total risk exposure amount only subject to the authorisation of the European Commission."

#### Article 56

In Article 140, paragraph (2) is amended to read:

"(2) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount (MDA) in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of that maximum distributable amount."

After paragraph (5), new paragraph (6) and paragraphs (7), (8) and (9) are inserted which read:

"(6) A credit institution that meets the leverage ratio buffer requirement pursuant to Article 92, paragraph (1a) of Regulation (EU) No 575/2013 shall not make a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the leverage ratio buffer requirement is no longer met.

(7) A credit institution that fails to meet the leverage ratio buffer requirement shall calculate the leverage ratio related maximum distributable amount (L-MDA) in accordance with the subordinate legislation referred to in paragraph (10) of this Article and shall, without delay, notify the Croatian National Bank of that maximum distributable amount.

(8) The credit institution referred to in paragraph (7) of this Article shall not undertake any of the following actions before it has calculated the leverage ratio related maximum distributable amount (L-MDA):

- 1) make a distribution in connection with common equity tier 1 capital;
- 2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the credit institution failed to meet the leverage ratio buffer requirement referred to in paragraph (6) of this Article; and
- 3) make payments on additional tier 1 instruments.

(9) Where a credit institution fails to meet or exceed its leverage ratio buffer requirement, it shall not distribute more than the leverage ratio related maximum distributable amount (L-MDA) calculated in accordance with the subordinate legislation referred to in paragraph (10) of this Article through any action referred to in paragraph (8) of this Article."

The former paragraph (6), which becomes paragraph (10), is amended to read:

"(10) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the maximum distributable amount (MDA) and the leverage ratio related maximum distributable amount (L-MDA)."

#### Article 57

After Article 140, Articles 140a and 140b and their titles are inserted which read:

#### *"Failure to meet the combined buffer requirement"*

#### Article 140a

Within the meaning of Article 140, paragraphs (1) to (5) of this Act, a credit institution shall be considered as failing to meet the combined buffer requirement where it does not have own

funds in an amount and of the quality needed to meet at the same time the combined buffer requirement and each of the following requirements:

- referred to in Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage;
- referred to in Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage; and
- referred to in Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage.

#### *Failure to meet the leverage ratio buffer requirement*

##### Article 140b

Within the meaning of Article 140, paragraphs (6) to (9) of this Act, a credit institution shall be considered as failing to meet the leverage ratio buffer requirement where it does not have own funds in an amount and of the quality needed to meet at the same time the leverage ratio buffer requirement and each of the following requirements:

- referred to in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover the risk of excessive leverage; and
- referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover the risk of excessive leverage."

##### Article 58

The title of Article 142 is amended to read: "*Distributions in the case of failure to meet the combined buffer and the leverage ratio buffer requirement*".

In Article 142, paragraph (1), in the introductory sentence, after the words "combined buffer" the words "or the leverage ratio buffer" are added, and the words "paragraph (3)" are replaced by the words "paragraphs (3) and (7)".

In item (3), the words "paragraphs (2) and (6)" are replaced by the words "paragraphs (2), (6) and (10)".

In paragraph (2), after the words "maximum distributable amount", the words "(MDA) and the leverage ratio related maximum distributable amount (L-MDA)" are added.

##### Article 59

In Article 143, paragraph (1), after the words "combined buffer" the words "or the leverage ratio buffer" are added.

##### Article 60

The title of Article 143a is amended to read: "*Capital conservation measures in case the combined buffer and the leverage ratio buffer requirement is not met on a consolidated basis*".

#### Article 61

In Article 144a, subparagraph (1) is amended to read:

"– the highest allowed ratio of the approved loan amount to the collateral value".

#### Article 62

After Article 145a, Article 145b and its title are inserted which read:

"Calculation of *large exposures secured by immovable property*"

#### Article 145b

In accordance with Article 402, paragraphs (1) and (2) of Regulation (EU) No 575/2013, for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) No 575/2013, a credit institution may not reduce the value of an exposure or any part of an exposure that is fully secured by residential property in accordance with Article 125, paragraph (1) of Regulation (EU) No 575/2013, or fully secured by commercial immovable property in accordance with Article 126, paragraph (1) of Regulation (EU) No 575/2013, by the pledged amount of the market value or the mortgage lending value of the property concerned."

#### Article 63

In Article 146, paragraph (1), item (4) is amended to read:

"4) legal persons in which the credit institution holds a participation".

After item (4), new items (5) and (6) are inserted which read:

"5) legal persons in which members of the credit institution's management board, supervisory board or its procurators have a qualifying holding;

6) legal persons in which members of the credit institution's management board, supervisory board or its procurators are members of senior management or members of the management board, supervisory board, board of directors or executive directors;"

The former item (5), which becomes item (7), is amended to read:

"7) legal persons whose members of the management board, supervisory board, board of directors or executive directors or procurators are at the same time members of the credit institution's management or supervisory board or its procurators;"

The former items (6) and (7) become items (8) and (9).

In the former item (8), which becomes item (10), the words "referred to in items (1) to (7)" are replaced by the words "referred to in items (1) to (9)".

In paragraph (2), the words "items (1) to (7)" are replaced by the words "items (1) to (9)".

#### Article 64

In Article 149, after paragraph (7), paragraph (8) is added which reads:

"(8) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall cooperate with the European Central Bank in the decision-making procedure for approval referred to in this Article. In this case the Croatian National Bank shall act in accordance with the instructions given by the European Central Bank."

#### Article 65

Article 152 is amended to read:

"(1) The Croatian National Bank shall collect information in accordance with Article 450, paragraph (1), items (g), (h), (i) and (k) of Regulation (EU) No 575/2013 and the data about the gender pay gap.

(2) The Croatian National Bank shall use the data referred to in paragraph (1) of this Article to detect benchmark remuneration trends and practices of credit institutions."

#### Article 66

In Article 154, paragraph (9), item (2), the words "subsequent bankruptcy could have" are replaced by the words "compulsory winding-up proceedings could have".

#### Article 67

In Article 154c, paragraph (6) is amended to read:

"(6) Where it is assessed in the decision referred to in paragraph (1) of this Article that the measures referred to in Article 154a, paragraphs (5) to (10) of this Act need to be implemented on a credit institution in the Republic of Croatia which is a member of a group, based on that decision, the Croatian National Bank shall reach a decision and deliver it to the member of the group of credit institutions in the EU for which the Croatian National Bank is the competent authority."

#### Article 68

In Article 163, paragraph (1), in the introductory sentence, the words "at the latest within four months, and an O-SII" are deleted.

In paragraph (3), the words "at the latest within five months, and an O-SII credit institution" are deleted.

## Article 69

In Article 172, after paragraph (4), paragraphs (5) and (6) are added which read:

"(5) If an audit firm fails to notify the Croatian National Bank of the facts referred to in paragraph (1) of this Article, the Croatian National Bank may order the credit institution to appoint a new audit firm.

(6) The Croatian National Bank shall notify the authority competent for the supervision of persons certified to provide audit services under the law governing audits of the fact referred to in paragraph (5) of this Article."

## Article 70

In Article 175, paragraph (2), the words "the content of a supervisory examination programme," are deleted.

## Article 71

In Article 178, paragraph (1), item (3), the word "and" is deleted.

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

"4) financial holding companies and mixed financial holding companies referred to in Title III.2a of this Act; and".

The former item (4) becomes item (5).

## Article 72

In Article 180, paragraph (1), in the introductory sentence, the words "the legality of the credit institution's operation, including" are deleted.

Item b) is deleted.

The former item c) becomes item b).

In paragraph (3), after the words "principle of proportionality" a comma is inserted and the words "in accordance with the criteria disclosed under Article 215, paragraph (1), item (3) of this Act." are added.

After paragraph (5), paragraphs (6) to (10) are inserted which read:

"(6) The Croatian National Bank may adjust the method of exercising supervision for credit institutions with similar risk profiles (e.g. similar business models or geographical location of exposure) to credit institutions that are or might be exposed to similar risks or pose a similar risk to the financial system. The Croatian National Bank may, in exercising supervision of such credit institutions, also take into account the specific risks to the individual credit institution.

(7) The adjustment of the method of exercising supervision referred to in paragraph (6) of this Article shall not prevent the imposition of supervisory measures referred to in Article 224 of this Act on each individual credit institution covered by the methodology, which correspond to the risks to which the credit institution is exposed or might be exposed.

(8) If, in the exercise of supervision, and in particular in the assessment of governance arrangements, the business model, or the activities of a credit institution, the Croatian National Bank determines the circumstances that indicate the existence of reasonable grounds to suspect that, in connection with that credit institution, money laundering or terrorist financing is being or has been committed or attempted, or there is increased risk thereof, the Croatian National Bank shall notify the European Banking Authority and the competent supervisor responsible for supervision in the area of the prevention of money laundering and terrorist financing, and shall notify their common assessment to the European Banking Authority.

(9) In the case referred to in paragraph (8) of this Article, the Croatian National Bank shall impose, if it deems it necessary, appropriate supervisory measures on a credit institution.

(10) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall adopt subordinate legislation to lay down additional prudential requirements and other limits determining special conditions for the operation of credit institutions."

### Article 73

In Article 181, paragraph (1), item (10) is amended to read:

"10) the exposure of credit institutions to the interest rate risk arising from non-trading book activities."

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

"1) the exposure of credit institutions to the interest rate risk arising from non-trading book activities, and shall impose supervisory measures in the following cases:

- where an institution's economic value of equity set out in the manner as referred to in Article 103, paragraph (6) of this Act declines by more than 15% of its tier 1 capital as a result of a sudden and unexpected change in interest rates as set out in any of the six supervisory shock scenarios applied to interest rates; and
- where an institution's net interest income set out in the manner as referred to in Article 103, paragraphs (6) and (7) of this Act experiences a large decline as a result of a sudden and unexpected change in interest rates as set out in any of the two supervisory shock scenarios applied to interest rates."

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

"(6) By way of derogation from paragraph (5), item (1) of this Article, the Croatian National Bank shall not impose supervisory measures where, based on the review and evaluation, it establishes that:

- the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and
- the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(7) For the purposes of paragraphs (5) and (6) of this Article, in addition to the supervisory measures referred to in Article 224 of this Act, the Croatian National Bank may impose on a credit institution to use specific modelling and parametric assumptions, which are additional relative to the assumptions to be reflected by the credit institution in its calculation of the economic value of equity in the context of the methodologies referred to in Article 103, paragraphs (6) and (7) of this Act."

#### Article 74

In Article 182, after paragraph (1), new paragraphs (2) and (3) are added which read:

"(2) The supervisory examination programme referred to in paragraph (1) of this Article shall contain:

- 1) a description of the manner in which the Croatian National Bank will exercise supervision and the manner in which it will allocate the resources at its disposal;
- 2) the names of credit institutions in which the Croatian National Bank intends to carry out enhanced supervision and the manner in which this enhanced supervision will be carried out; and
- 3) a plan of on-site examinations of credit institutions, including their branches and subsidiaries having their head offices in other Member States, in accordance with Articles 194, 281 and 291 of this Act.

(3) The supervisory examination programme of the Croatian National Bank shall include:

- 1) credit institutions the results of stress testing of which, whether such testing is conducted by the credit institution or the Croatian National Bank or examination findings of which point to significant risks that might affect their financial stability or point to a breach of the provisions of this Act or Regulation (EU) No 575/2013; and
- 2) any other credit institution for which the Croatian National Bank deems it to be necessary."

The former paragraphs (2) and (3) become paragraphs (4) and (5).

#### Article 75

In Article 190, paragraph (1), after the words "items (1) and (2)", the comma and the words "as well as after the assessment of a credit institution referred to in item (4) of the same paragraph" are deleted.

In paragraph (3), the words "or weaknesses and deficiencies in the credit institution's operation that would require the imposition of supervisory measures" are deleted.

Paragraph (4) is amended to read:

"(4) By way of derogation from the provisions of paragraph (1) of this Article, the Croatian National Bank shall not issue the report in the procedures it is implementing with the aim to assess the internal approaches and their planned change, and carrying out the ongoing review of permitted internal approaches."

#### Article 76

In Article 196, paragraph (1), the words "referred to in Article 332 of this Act" are replaced by the words "referred to in the regulations governing compulsory winding-up of credit institutions".

In paragraph (3), the words "in accordance with Article 332 of this Act" are replaced by the words "referred to in the regulations governing compulsory winding-up of credit institutions".

#### Article 77

In Article 199, before the words "The Croatian National Bank", a paragraph designation is inserted which reads: "(1)".

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

"(2) For the purpose of ensuring that all activities of a third-country group in the European Union are subject to comprehensive supervision, preventing the avoidance of the application of requirements applicable to such groups under this Act and Regulation (EU) No 575/2013 and preventing any adverse effects on financial stability of the European Union in exercising supervision of the operation of a branch of a third-country credit institution, the Croatian National Bank shall cooperate with other competent authorities responsible for the supervision of any member of that group."

#### Article 78

In Article 206, paragraph (3), item (2), the words "bankruptcy proceedings have been initiated or are in progress" are deleted and the word "proceedings" is replaced by the word "proceeding".

In paragraph (4), after the words "Regulation (EU) No 575/2013", a comma is inserted and the words "Regulation (EU) 2019/2033" are added."

#### Article 79

In Article 208, paragraph (1), item (3) is amended to read:

"3) authorities carrying out reorganisation measures, as defined in the regulation governing compulsory winding-up of credit institutions, for the purpose of maintaining financial stability".

In item (4), the words "or bankruptcy of credit institutions" are deleted.

In item (7), after the word "schemes;", the word "and" is deleted.

After item (8) the full stop is deleted and items (9), (10) and (11) are inserted which read:

"9) authorities responsible for supervising credit and financial institutions subject to the application of regulations governing the prevention of money laundering and terrorist financing for compliance with those regulations;

10) financial intelligence units pursuant to regulations governing the prevention of money laundering and terrorist financing; and

11) authorities responsible for the application of rules governing the structural separation within a banking group."

#### Article 80

In Article 209, paragraph (1), the introductory sentence is amended to read:

"The Croatian National Bank shall exchange confidential information with the authorities in the Republic of Croatia or other Member States responsible for supervising:"

In item (1), after the words "winding up", the words "or bankruptcy" are deleted.

#### Article 81

After Article 212, Article 212a and its title are inserted which read:

#### *"Transmission of information to international bodies*

#### Article 212a

(1) The Croatian National Bank shall, at the request of the International Monetary Fund, for the purposes of carrying out its tasks, the World Bank, for the purposes of assessments for the Financial Sector Assessment Program, the Bank for International Settlements, for the purposes of quantitative impact studies or the Financial Stability Board, for the purposes of its surveillance function, submit aggregate or such information that individual credit institutions cannot be identified, where the following conditions are met:

- 1) the request is duly justified because it was made for the purpose of performing the conferred statutory mandate;
- 2) the request is sufficiently precise as to the nature, scope and format of the required information, and the means of its disclosure or transmission;
- 3) the requested information is strictly necessary for the performance of the specific tasks of the requesting body and does not go beyond its statutory tasks;
- 4) the information is transmitted or disclosed exclusively to the persons directly involved in the performance of the tasks for the purpose of which the data are submitted; and
- 5) the persons having access to the information are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 206 of this Act.

(2) Where by the request referred to in paragraph (1) of this Article other information is requested, different than the one specified in that paragraph, the Croatian National Bank may only make other information available at its premises.

(3) Where the disclosure of information under the request referred to in this Article involves processing of personal data, the requesting body shall comply with the requirements laid down in the regulations governing personal data protection."

#### Article 82

In Article 214, paragraph (1), item (1), after the words "of this Act;", "and" is deleted.

In item (2), after the words "of this Act", the full stop is deleted and the word "and" are inserted.

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

"3) the regulations governing what shall not constitute the taking of deposits or other repayable funds from the public referred to in Article 7, paragraph (3) of this Act."

Paragraphs (2) and (3) are amended to read:

"(2) The Croatian National Bank shall notify the European Banking Authority of all the authorisations for branches of third-country credit institutions, and shall submit the following data on:

- any subsequent changes to such authorisations;
- total assets and liabilities of the branches in accordance with the time limits of reporting within which the branches are subject to reporting to the Croatian National Bank;
- the name of the third-country group to which a branch belongs.

(3) In accordance with Article 73a of this Act, the Croatian National Bank shall establish a list of financial holding companies and mixed financial holding companies referred to in Article 73a, paragraphs (5) and (8) of this Act and financial holding companies, mixed financial holding companies, institutions and members of the group referred to in Article 73a, paragraph (14), subparagraph (4) of this Act and shall communicate it to the relevant competent authorities of the other Member States, the European Banking Authority and the European Commission."

In paragraph (5), item (4) is amended to read:

"4) data collected in accordance with Articles 152 and 152a of this Act".

In item (12), the words "paragraph (5)" are replaced by the words "paragraphs (5) and (6)".

In item (14), after the words "Member States;", "and" is deleted.

In item (15), after the words "of this Act", the full stop is deleted and the word "and" are inserted.

After item (15), item (16) is inserted which reads:

"16) the regulations governing what shall not constitute the taking of deposits or other repayable funds from the public referred to in Article 7, paragraph (3) of this Act."

## Article 83

In Article 215, paragraph (1), item (3), after the words "Article 181 of this Act", the words "and the criteria for applying the principle of proportionality as referred to in Article 180, paragraph (3) of this Act" are added.

In paragraph (12), in the introductory sentence, the Croatian words translated as "administrative sanctions" are replaced by other Croatian words, with no relevance to the English translation.

#### Article 84

In Article 216e, paragraph (2) is amended to read:

"(2) The Croatian National Bank shall without delay deliver the support agreement referred to in paragraph (1) of this Article to the resolution authorities."

#### Article 85

Article 219 is amended to read:

"Where a credit institution fails to fulfil the commitments taken under a memorandum of understanding within the time limit and in the manner laid down in the memorandum, the Croatian National Bank shall adopt a decision to impose supervisory measures."

#### Article 86

In Article 220, paragraph (3) is amended to read:

"(3) A credit institution may, no later than 30 working days before the expiry of the time limit referred to in paragraph (2) of this Article, apply for an extension of that time limit by a reasoned request. If the time limit referred to in paragraph (2) of this Article is 30 working days or shorter, the credit institution may not apply for an extension of that time limit. The Croatian National Bank shall decide on the extension at the latest by the expiry of the time limit laid down in the decision."

#### Article 87

In Article 224, paragraph (1), item (12), after the words "products and systems" a comma is inserted and the words "including the activities related to outsourcing" are added.

Item (20) is amended to read:

"(20) order a credit institution to have additional own funds, in the form set by the Croatian National Bank, in excess of the requirements set out in Regulation (EU) No 575/2013, under the conditions referred to in Article 228 of this Act;"

Item (22) is amended to read:

"(22) impose more frequent or additional reporting requirements, including reporting on capital and liquidity positions and leverage, under the conditions referred to in Article 226 of this Act;"

After item (32), new item (32a) is inserted which reads:

"32a) order that the credit institution that meets the conditions referred to in Article 4, paragraph (1), item (145) from (a) to (h) of Regulation (EU) No 575/2013 is not to be considered a small and non-complex institution;"

Paragraphs (3), (4) and (5) are amended to read:

"(3) Where the Croatian National Bank assesses that the internal systems implemented by a credit institution for the purpose of evaluating the risks referred to in Article 103, paragraphs (6) and (7) of this Act are not satisfactory, it shall require the credit institution to use the standardised methodology referred to in that Article.

(4) Where the Croatian National Bank assesses that the simplified standardised methodology is not adequate to capture interest rate risk arising from non-trading book activities of a specific small and non-complex credit institution, it shall require the use of the standardised methodology referred to in Article 103, paragraphs (6) and (7) of this Act.

(5) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined."

#### Article 88

In Article 225, paragraph (2), item (4) is deleted.

#### Article 89

After Article 225, Article 225a and its title are inserted which read:

*"More frequent and additional reporting to the Croatian National Bank*

#### Article 225a

(1) The supervisory measure referred to in Article 224, paragraph (1), item (22) of this Act may only be imposed on a credit institution by the Croatian National Bank in the following circumstances:

- 1) where the relevant measure is appropriate and proportionate with regard to the purpose for which the information is required; and
- 2) the information requested is not duplicative.

(2) For the purposes of paragraph (1), item (2) of this Article, in the cases referred to in Articles 180 to 220 of this Act, any information request shall be deemed as duplicative where the same or substantially the same information has already been otherwise reported to the Croatian National Bank or may be produced by the Croatian National Bank.

(3) For the purposes of paragraph (2) of this Article, information shall not be deemed as already submitted to the Croatian National Bank where the Croatian National Bank has previously received it in a different format or level of granularity and that different format or granularity does not allow the Croatian National Bank to produce information of the same quality and reliability as that produced on the basis of more frequent or additional reporting."

## Article 90

The title of Article 228 is amended to read: "*Additional own funds requirement in excess of the minimum level*".

Article 228 is amended to read:

(1) The supervisory measure of additional own funds requirement, referred to in Article 224, paragraph (1), item (20) of this Act, shall be imposed on a credit institution by the Croatian National Bank in the following circumstances:

- 1) where risks or elements of risk are not covered or not sufficiently covered by own funds requirements, as specified in paragraph (3) of this Article, by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 or in Chapter 2 of Regulation (EU) 2017/2402;
- 2) where a credit institution has not established or does not consistently implement adequate governance arrangements in accordance with the provisions of Article 101 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;
- 3) where a credit institution has not established or does not consistently implement sound strategies and procedures to assess the adequacy of internal capital in accordance with the provisions of Article 113 of this Act and risk management regulations and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;
- 4) where a credit institution has not established or does not consistently implement sound administrative and accounting procedures and adequate internal control systems for identifying, managing, monitoring and reporting large exposures in accordance with the provisions of Article 393 of Regulation (EU) No 575/2013 and it is unlikely that other supervisory measures would be sufficient to ensure that those requirements can be met within an appropriate timeframe;
- 5) where the supervision referred to in Article 181, paragraph (4) of this Act reveals that the valuation adjustments taken for positions or portfolios in the trading book are not sufficient to enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions;
- 6) where the supervision referred to in Article 188, paragraphs (5) and (6) of this Act reveals that the non-compliance with the requirements for the application of the respective approach will likely lead to inadequate own funds requirements;
- 7) where a credit institution repeatedly fails to ensure or maintain an adequate level of additional own funds determined in accordance with Article 228a of this Act;
- 8) where other credit institution-specific situations are established that are deemed to raise material supervisory concerns.

(2) The Croatian National Bank shall only impose on the credit institution the additional own funds requirement supervisory measure referred to in Article 224, paragraph (1), item (20) of this Act where it assesses that there is need to cover the risks to which the credit institution is exposed, regardless of whether the risks are incurred by the credit institution due to its activities or whether they reflect the impact of certain economic and market developments on the risk profile of that credit institution.

(3) Within the meaning of paragraph (1), item (1) of this Article, risks or elements of risk shall only be considered as not covered or not sufficiently covered by the own funds requirements where the amounts, types and distribution of own funds considered adequate by the Croatian National Bank, taking into account the supervisory review of the assessment carried out by the credit institution in accordance with Article 113, paragraph (2) of this Act, are higher than the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(4) When carrying out the assessment referred to in paragraph (3) of this Article, the Croatian National Bank shall assess, taking into account the risk profile of each individual credit institution, the risks to which the credit institution is exposed, including:

- credit institution-specific risks or elements of such risks that are explicitly excluded from or not explicitly addressed in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402;
- credit institution-specific risks or elements of such risks likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(5) To the amount (extent) that risks or elements of risk are subject to transitional arrangements or grandfathering provisions laid down in this Act or in Regulation (EU) No 575/2013, the Croatian National Bank shall not consider risks or elements of such risks referred to in paragraph (4), subparagraph (2) of this Article likely to be underestimated despite compliance with the applicable requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(6) The Croatian National Bank shall cover all risks or elements of risks identified as material pursuant to the assessment referred to in paragraph (3) of this Article that are not covered or not sufficiently covered by the own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(7) Within the meaning of paragraph (6) of this Article, interest rate risk arising from non-trading book positions shall be considered material by the Croatian National Bank in the cases referred to in Article 181, paragraph (5), item (1) of this Act, unless the Croatian National Bank determines that:

- the credit institution's management of interest rate risk arising from non-trading book activities is adequate; and
- the credit institution is not excessively exposed to interest rate risk arising from non-trading book activities.

(8) The Croatian National Bank shall impose on the credit institution additional own funds, except to cover the risk of excessive leverage, in the amount that is the difference between the capital considered adequate pursuant to paragraph (3) of this Article and the relevant own funds requirements set out in Parts Three and Four of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402.

(9) The Croatian National Bank shall impose on the credit institution additional own funds to cover the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, as the difference between the required capital assessed

pursuant to paragraph (3) of this Article and the own funds requirements set out in Parts Three and Seven of Regulation (EU) No 575/2013.

(10) The credit institution shall maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, not including the own funds requirement imposed to cover the risk of excessive leverage, with own funds as follows:

- at least three quarters of the additional own funds requirement shall be met with tier 1 capital;
- at least three quarters of the tier 1 capital referred to in subparagraph (1) of this paragraph shall be composed of common equity tier 1 capital.

(11) The credit institution shall maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, including the own funds requirement imposed to cover the risk of excessive leverage, with tier 1 capital.

(12) By way of derogation from paragraphs (10) and (11) of this Article, the Croatian National Bank may impose on the credit institution to maintain its additional own funds requirement with a higher portion of tier 1 capital or common equity tier 1 capital, where necessary, and having regard to the specific circumstances of the credit institution.

(13) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act, not including the own funds requirement imposed to cover the risk of excessive leverage, are not used to meet any of the following:

- the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013;
- the combined buffer requirement;
- the guidance on additional own funds referred to in Article 228a, paragraph (3) of this Act, not determined to cover the risk of excessive leverage.

(14) The credit institution shall ensure that the own funds used to maintain the additional own funds requirement imposed under Article 224, paragraph (1), item (20) of this Act to cover the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation No 575/2013, are not used to meet any of the following requirements:

- the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;
- the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013;
- the guidance on additional own funds referred to in Article 228a, paragraph (3) of this Act, determined to cover the risk of excessive leverage.

(15) The Croatian National Bank shall impose on the credit institution an additional own funds requirement referred to in Article 224, paragraph (1), item (20) of this Act in a decision in which it will justify the calculation of the full assessment of the elements referred to in paragraphs (1) to (14) of this Article, and in the case referred to in paragraph (1), item (7) of this Article, the justification shall include a statement of the reasons for which the imposition of guidance on additional own funds is no longer considered sufficient."

After Article 228, Articles 228a and 228b and their titles are inserted which read:

*"Guidance on additional own funds*

Article 228a

(1) Pursuant to the strategies and processes referred to in Article 113 of this Act, a credit institution shall assess and maintain its internal capital at an adequate level that is sufficient to cover all the risks that the credit institution is exposed to and ensure that its own funds can also cover potential losses resulting from stress scenarios, including the risks identified under the supervisory stress test referred to in Article 180, paragraph (5) of this Act.

(2) Within the framework of supervision referred to in Article 180 of this Act, the Croatian National Bank shall regularly analyse the level of the internal capital set by the credit institution in accordance with paragraph (1) of this Article and determine for each credit institution the appropriate level of own funds.

(3) The Croatian National Bank shall assess for each credit institution the need to determine the guidance on additional own funds, and if the guidance is required, it shall notify the credit institution thereof.

(4) The Croatian National Bank in a guidance on additional own funds may cover risks otherwise covered by the additional own funds requirement imposed in accordance with Article 224, paragraph (1), item (20) of this Act only to the extent that the guidance covers the elements of those risks that are not already covered under that requirement.

(5) The credit institution shall ensure that the own funds used to meet the requirement from the guidance on additional own funds, other than the portion used to cover the risk of excessive leverage, are not used to meet any of the following requirements:

- the own funds requirements set out in Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013; or
- the additional own funds requirement determined in accordance with Article 228 of this Act, imposed by the Croatian National Bank for risks, not determined to cover the risk of excessive leverage and that is not the combined buffer requirement.

(6) The credit institution shall ensure that the own funds used to meet the guidance on additional own funds, including the risk of excessive leverage, are not used to meet any of the following requirements:

- the own funds requirement set out in Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013;
- the additional own funds requirement determined in accordance with Article 228 of this Act, imposed by the Croatian National Bank to cover the risk of excessive leverage; or
- the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013.

(7) The restrictions referred to in Articles 140, 141 or 142 of this Act shall not apply to the credit institution that meets the relevant own funds requirements set out in Parts Three, Four and Seven of Regulation (EU) No 575/2013 and in Chapter 2 of Regulation (EU) 2017/2402,

the relevant additional own funds requirement referred to in Article 224, paragraph (1), item (20) of this Act and, where appropriate, the combined buffer requirement or the leverage ratio buffer requirement referred to in Article 92, paragraph (1a) of Regulation (EU) No 575/2013, and that does not meet the guidance on additional own funds.

#### *Cooperation with resolution authorities*

##### Article 228b

(1) The Croatian National Bank shall notify the resolution authority of:  
– the additional own funds requirement imposed on the credit institution pursuant to Article 224, paragraph (1), item (20) of this Act; and  
– the guidance on additional own funds communicated to the credit institution in accordance with Article 228a, paragraph (3) of this Act."

##### Article 92

In Article 234, item (4), after the word "liquidator;" the word "or" is inserted.

Item (5) is deleted.

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

##### Article 93

In Article 235, paragraph (2) is deleted.

In the former paragraph (3) which becomes paragraph (2), the words "State Agency for Deposit Insurance and Bank Resolution" are replaced by the words "resolution authority".

##### Article 94

In Article 235a, paragraph (5), the word "Article" is replaced by the words "Articles 12j and".

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

"(6) The Croatian National Bank, in agreement with the resolution authority, may also impose the measures referred to in paragraph (1) of this Article in the case when a breach of the minimum requirement for own funds and eligible liabilities is determined."

##### Article 95

In Article 235c, paragraph (9), item (4), after the word "liquidator;" the word "or" is inserted.

Item (5) is deleted.

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

##### Article 96

In Article 235d, paragraph (13), item (4), after the word "liquidator;" the word "or" is inserted.

Item (5) is deleted.

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

#### Article 97

In Article 238, paragraph (8), item (4) is deleted.

The former items (5) and (6) become items (4) and (5).

#### Article 98

Article 249 and its title are deleted.

#### Article 99

Article 254 and its title are deleted.

#### Article 100

In Title XX, Chapters XX.2 and XX.3 and their titles, Articles 255 to 263 and their titles are deleted.

#### Article 101

Title XXI and its title, Articles 264 to 276 and their titles are deleted.

#### Article 102

In Article 277, paragraph (2) is amended to read:

"(2) By way of derogation from paragraph (1) of this Article, when the European Central Bank is the consolidating supervisor, the Croatian National Bank may participate in supervision on a consolidated basis and in a college of supervisors as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank."

After paragraph (3), paragraph (4) is added which reads:

"(4) In order to ensure that requirements or supervisory powers are applied on a consolidated or sub-consolidated basis, for the purposes of Articles 97 and 97a of this Act and this Title, the terms "institution", "parent institution in a Member State", "RC parent institution", "EU parent institution", "EU parent institution having its head office in the RC" and "parent undertaking" shall also include:

a) financial holding companies and mixed financial holding companies that have been granted authorisation in accordance with this Act or in accordance with the relevant provisions of regulations in force in another Member State;

b) designated institutions controlled by an EU parent financial holding company, an EU parent mixed financial holding company, a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State where the relevant parent is not subject to authorisation in accordance with Article 73a, paragraph (6) of this Act or in accordance with the relevant provisions of regulations in force in another Member State;; and

c) financial holding companies, mixed financial holding companies or institutions designated pursuant to Article 73a of this Act or relevant provisions of the regulations in force in another Member State."

#### Article 103

In Article 278, paragraph (1), at the end of item (6), the word "or" is deleted.

After item (7), item (8) is added which reads:

"8) an RC parent investment firm or an EU parent investment firm having its head office in the RC, where at least one of its subsidiaries is a credit institution in the RC or where there are more credit institution subsidiaries, the credit institution having its head office in the RC with the largest balance sheet total."

Paragraphs (3), (4) and (5) are amended to read:

"(3) Where two or more institutions authorised in the European Union have a joint parent financial holding company in the RC, parent mixed financial holding company in the RC, EU parent financial holding company having its head office in the RC or EU parent mixed financial holding company having its head office in the RC, a group of credit institutions in the RC shall exist if the parent holding company has as its subsidiary:

- 1) only one credit institution authorised by the Croatian National Bank; or
- 2) several credit institutions and a credit institution authorised by the Croatian National Bank with the largest balance sheet total.

(4) A group of credit institutions in the RC shall also exist in the cases where consolidation is required pursuant to Article 18, paragraph (3) or Article 18, paragraph (6) of Regulation 575/2013 and where the Croatian National Bank is the competent authority of the credit institution with the largest balance sheet total.

(5) By way of derogation from paragraph (1), items (1) to (8), paragraph (3), item (2) and paragraph (4) of this Article, a group of credit institutions in the RC shall exist where the sum of the balance sheet totals of credit institutions members of a group of credit institutions authorised by the Croatian National Bank is higher than the balance sheet total of the credit institutions members of the group of credit institutions supervised on an individual basis by another competent authority."

#### Article 104

Article 280 is amended to read:

"(1) Where the Croatian National Bank is not the consolidating supervisor, it may, taking into account the relative importance of activities in other Member States of individual members of a group of credit institutions in the RC, by common agreement with the competent authorities

of these Member States, assume the responsibility for supervision on a consolidated basis from the competent authority of a Member State in which another credit institution within the group has its head office.

(2) Where the Croatian National Bank is the consolidating supervisor, it may, in particular cases referred to in Article 278 of this Act, taking into account the relative importance of activities in other Member States of individual members of a group of credit institutions in the RC, by common agreement with the competent authorities of these Member States, delegate the responsibility for supervision on a consolidated basis to the competent authority of a Member State in which another institution within the group has its head office.

(3) Before adopting a decision to delegate the responsibility referred to in paragraph (2) of this Article, the Croatian National Bank shall give the EU parent credit institution having its head office in the RC, EU parent financial holding company having its head office in the RC, EU parent mixed financial holding company having its head office in the RC, or credit institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision."

#### Article 105

In Article 281, paragraph (1) is amended to read:

"Subsidiary members of a group of credit institutions in the RC shall:

- 1) deliver the data relevant for the purposes of consolidation;
- 2) ensure adequate internal control procedures to verify the correctness of such data and information; and
- 3) deliver the data relevant to determine the scope of consolidation

to an RC parent credit institution, an EU parent credit institution having its head office in the RC and, in accordance with the authorisation referred to in Article 73a of this Act, an RC parent holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC."

Paragraph (2) is amended to read:

"(2) An RC parent credit institution, an EU parent credit institution having its head office in the RC and in accordance with the authorisation referred to in Article 73a of this Act, an RC parent financial holding company, an RC parent mixed financial holding company, an EU parent financial holding company having its head office in the RC and an EU parent mixed financial holding company having its head office in the RC shall ensure that subsidiary members of a group of credit institutions in the RC deliver to it the data relevant for the purposes of consolidation."

After paragraph (6), paragraph (7) is added which reads:

"(7) Where the equivalent provisions under this Act and under the regulations governing the provision of insurance services, in particular in terms of risk-based supervision apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, in agreement with the group supervisor in the insurance sector, apply to that mixed financial holding company only the provisions of regulations relating to the most significant financial sector as defined in accordance with regulations governing supplementary supervision of financial conglomerates."

#### Article 106

Article 283 is amended to read:

"(1) If any of the members of a group of credit institutions in the RC has a head office in another Member State and the Croatian National Bank is the consolidating supervisor, the Croatian National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 282, 284 and 286 of this Act. When a member of a group is situated in a third country or has branches in a third country, the Croatian National Bank shall, subject to the provisions of this Act on the confidentiality of information and comparability with Croatian law, ensure appropriate coordination and cooperation with relevant third-country competent authorities.

(2) Where the Croatian National Bank is the consolidating supervisor, all the members of a group of credit institutions that do not have a head office in the RC have a head office in a third country, the Croatian National Bank shall establish a college of supervisors to facilitate the exercise of the tasks referred to in Articles 282, 286 and 287 of this Act, provided that the competent authorities in a third country are subject to the duty to protect the confidentiality of information which is in its content equal to that referred to in Article 206 of this Act and, if applicable, to the requirements relating to the duty to protect the confidentiality of information in its content equal to that in the regulations governing the financial instruments markets.

(3) The college of supervisors shall provide a framework for the Croatian National Bank, the European Banking Authority and the other competent authorities concerned to carry out the following tasks:

- 1) exchanging information, whereby the exchange of information with the European Banking Authority is carried out in accordance with Article 21 of Regulation (EU) No 1093/2010;
- 2) agreeing on voluntary entrustment of tasks and voluntary delegation of responsibilities where appropriate;
- 3) determining supervisory examination programmes based on a risk assessment of the group of credit institutions;
- 4) increasing the efficiency of supervision by removing duplication of supervisory requirements, including in relation to the information requests referred to in Article 286 and Article 288, paragraph (6) of this Act;
- 5) consistently applying the prudential requirements under this Act, other special regulations and Regulation (EU) No 575/2013 across all members within a group of credit institutions

without prejudice to the options and discretions available in the regulations of the European Union governing the operation of credit institutions; and

6) carrying out the tasks referred to in Article 282, paragraph (1), item (3) of this Act taking into account the work of other forums that may be established in this area.

(4) The Croatian National Bank shall cooperate closely with other competent authorities participating in the supervisory college and the European Banking Authority taking into account the responsibilities of the competent authorities. The establishment and functioning of the college shall not affect the responsibilities of the Croatian National Bank under this Act and Regulation (EU) No 575/2013.

(5) The exchange of information within the framework of colleges of supervisors established under this Article shall not constitute a breach of the duty to protect the confidentiality of information referred to in this Act.

(6) Where the Croatian National Bank is the consolidating supervisor, it shall, pursuant to Article 287 of this Act, in cooperation with other competent authorities regulate the establishment and the operation of a college of supervisors by a written agreement.

(7) The Croatian National Bank as the consolidating supervisor may also invite the following to participate in the activities of the college:

- the competent authorities of the Republic of Croatia or other Member States in which a member of a group of credit institutions in the RC has its head office;
- the competent authorities of other Member States where significant branches of a credit institution which has its head office in the Republic of Croatia are established; and
- central banks of other Member States, where appropriate.

(8) In addition to the authorities referred to in paragraph (7) of this Article, the Croatian National Bank may, where appropriate and subject to confidentiality requirements that are equivalent, in the opinion of all competent authorities, to the requirements relating to the duty to protect the confidentiality of information under Article 208 of this Act, also invite third countries' competent authorities to participate in the college.

(9) Where the Croatian National Bank is the consolidating supervisor, it shall enable the participation in the college of supervisors to the competent authority from the Member State in which the financial holding company or mixed financial holding company is established and which has been authorised in accordance with Article 73a of this Act.

(10) The Croatian National Bank as the consolidating supervisor shall chair the meetings of the college and shall decide which competent authorities participate in a meeting and/or in an activity of the college. The Croatian National Bank shall keep all members of the college fully informed, in a timely manner, of:

- the time and place of such meetings, the main issues to be discussed and the activities to be considered; and

– the actions taken in those meetings or the measures carried out.

(11) The Croatian National Bank as the consolidating supervisor shall take account of the relevance of the supervisory activity to be planned for those authorities, in particular the potential impact on the stability of the financial system in the Member States concerned and the obligations referred to in Article 204, paragraphs (5) and (6) of this Act.

(12) Subject to the provisions of this Act on the confidentiality of information, the Croatian National Bank as the consolidating supervisor shall inform the European Banking Authority of the activities of the college of supervisors, including in emergency situations, and shall communicate to it all information that is of particular relevance for the purposes of supervisory convergence.

(13) In the event of a disagreement between competent authorities on the functioning of the college of supervisors, 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.

(14) Where the European Banking Authority in accordance with Article 21 of Regulation (EU) No 1093/2010 participates in the work of the college of supervisors, it shall be considered the competent authority."

#### Article 107

Article 284 is amended to read:

"(1) Where the Croatian National Bank is the consolidating supervisor, the Croatian National Bank and the competent authorities of the other Member States in which there are head offices of other undertakings included in a group of credit institutions in the RC shall cooperate to reach a joint decision:

1) in the field of the supervision and assessment of the adequacy of procedures in place to assess and maintain internal capital to determine the adequacy of the consolidated level of own funds held by the group of credit institutions in the RC with respect to its financial situation and risk profile and the imposition of an additional required level of own funds in accordance with Article 224, paragraph (1), item (20) of this Act to each member of the group of credit institutions in the RC and on a consolidated basis;

2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 225 of this Act; and

3) on the application of the guidance on additional own funds referred to in Article 228a of this Act.

(2) Based on the supervision exercised and the assessment of the adequacy of procedures in place to assess and maintain internal capital of a group of credit institutions in the RC, the Croatian National Bank shall submit a report to the competent authorities of the other Member States in which there are head offices of other undertakings included in the group of credit institutions in the RC, containing:

- the risk assessment of the group of credit institutions in the RC and the need to impose additional own funds requirement in accordance with Article 228 of this Act;

- the assessment of the liquidity risk profile of the group of credit institutions in the RC and the need to impose supervisory measures in accordance with Article 224 of this Act and a specific liquidity requirement in accordance with Article 225 of this Act; and
- the risk assessment of the group of credit institutions in the RC and the need to issue the guidance in accordance with Article 228a of this Act.

(3) The joint decision referred to in paragraph (1) of this Article shall be reached within four months after submission of the report referred to in paragraph (2) of this Article. The joint decision shall also duly consider the risk assessment of the members of the group of credit institutions in the RC performed by relevant competent authorities of other Member States.

(4) The joint decision referred to in paragraph (1), items (1) and (2) of this Article must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(5) In the event of a disagreement on the adoption of the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank shall at the request of the competent authority of another Member State consult the European Banking Authority or the Croatian National Bank may also consult the European Banking Authority on its own initiative.

(6) In the absence of a joint decision within the time period referred to in paragraph (3) of this Article, the decisions on the application of Article 224, paragraph (1), item (20) of this Act and Articles 225, 228 and 228a of this Act shall be taken on a consolidated basis by the Croatian National Bank after duly considering the risk assessment of the members of the group of credit institutions in the RC performed by relevant competent authorities. The Croatian National Bank shall take a decision on each member of the group within its competence.

(7) By way of derogation from paragraph (6) of this Article, where within four months after submission of the report referred to in paragraph (2) of this Article and prior to the reaching of a joint decision, the Croatian National Bank or any other competent authority of other Member States has referred the matter to the European Banking Authority and where the European Banking Authority takes a decision within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(8) In the case referred to in paragraph (6) of this Article, the decisions of all competent authorities for individual members of the group of credit institutions in the RC shall be set out in a single document containing the fully reasoned decisions and shall take into account the risk assessment for each member of the group of credit institutions in the RC, and views and reservations expressed during the time period referred to in paragraph (3) of this Article. The Croatian National Bank shall deliver the document to all competent authorities referred to in paragraph (1) of this Article and to the EU parent credit institution having its head office in the RC.

(9) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall consider the advice of the European Banking Authority, and explain any significant deviation therefrom.

(10) Based on the decisions referred to in paragraph (4), (5), (7) or (8) of this Article, the Croatian National Bank shall take a decision and deliver it to the member of the group of credit institutions in the RC within its competence.

(11) The Croatian National Bank shall update the decisions referred to in paragraph (4), (5), (7) or (8) of this Article on an annual basis at a minimum.

(12) By way of derogation from paragraph (11) of this Article, the Croatian National Bank shall update the decisions referred to in paragraph (1) of this Article if the competent authority of another Member State makes a written and fully reasoned request to the Croatian National Bank to update the decision. The update may be addressed on a bilateral basis between the Croatian National Bank and the competent authority making the request."

#### Article 108

In Article 285, paragraph (1), item (1), after the words "on a consolidated basis;" the word "and" is deleted.

Item (2) is amended to read:

"2) on the imposition of measures to address all material findings related to liquidity supervision including relating to the adequacy of the organisation and the management of liquidity risk, as well as on the imposition of specific requirements in accordance with Article 225 of this Act; and".

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

"3) on the application of the guidance on additional own funds referred to in Article 228a of this Act."

Paragraph (2) is amended to read:

"(2) Based on the supervision exercised and the assessment of the adequacy of procedures in place to assess and maintain internal capital of a member of the relevant group of credit institutions within its competence, the Croatian National Bank shall prepare a report on:

- the risk assessment of a member of the relevant group of credit institutions within its competence and the need to impose additional own funds requirement in accordance with Article 228 of this Act;
- the assessment of the liquidity risk profile of a member of the relevant group of credit institutions within its competence and the need to impose supervisory measures in accordance with Article 224 of this Act and a specific liquidity requirement in accordance with Article 225 of this Act; and
- the risk assessment of a member of the relevant group of credit institutions within its competence and the need to issue the guidance in accordance with Article 228a of this Act."

Paragraphs (6) and (7) are amended to read:

"(6) In the absence of a joint decision referred to in paragraph (1) of this Article within four months after submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions, the Croatian National Bank shall take the decision referred to in Article 224, paragraph (1), item (20) and/or Articles 225, 228 and 228a of this Act on each member of the group or on a sub-consolidated basis for the group within its competence after duly considering the views and reservations expressed by the consolidating supervisor.

(7) By way of derogation from paragraph (6) of this Article, where the Croatian National Bank or another competent authority of a Member State, within four months of the submission by the consolidating supervisor of a report containing the risk assessment of the relevant group of credit institutions referred to in paragraph (2) of this Article, and prior to the reaching of a joint decision, has referred the matter to the European Banking Authority and where the European Banking Authority takes a decision, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010."

#### Article 109

In Article 287, after paragraph (4), paragraph (5) is added which reads:

"(5) Where the consolidating and the competent authority for a financial holding company or a mixed financial holding company authorised in accordance with Article 277a of this Act are not the same, the Croatian National Bank as the consolidating or the competent authority shall conclude written coordination and cooperation agreements referred to in paragraph (1) of this Article with the other competent authorities in the Member State in which the financial holding company or the mixed financial holding company is established."

#### Article 110

In Article 289, after paragraph (3), paragraphs (4), (5) and (6) are added which read:

"(4) The Croatian National Bank shall, within its competence, cooperate and exchange the information relevant for the performance of tasks under this Act, Regulation (EU) 575/2013 and regulations governing the prevention of money laundering and terrorist financing with the Anti-Money Laundering Office and other competent supervisory authorities in supervising credit institutions with regard to the regulations governing the prevention of money laundering and terrorist financing, provided that such cooperation and exchange of information does not interfere with the ongoing enquiries, investigations or procedures in accordance with criminal or administrative law of the Member State in which the competent authority, the financial intelligence unit or another public authority competent for supervision is located, entrusted with the public authority to supervise the entities within the scope of their competence.

(5) Where the Croatian National Bank as the consolidating supervisor is not at the same time designated as the coordinator under regulations governing supervision of financial conglomerates, the Croatian National Bank shall cooperate with the coordinator for the parent mixed financial holding company in the application of the provisions of this Act and Regulation (EU) 575/2013 on a consolidated basis.

(6) For the purposes of paragraph (5) of this Article, the Croatian National Bank and the coordinator shall conclude a written mutual cooperation arrangement."

#### Article 111

In Article 323, paragraph (2), the words "decision to initiate the compulsory winding-up" are replaced by the words "impose measures in the early intervention phase".

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

"(3) A decision issued by the Croatian National Bank in an administrative procedure may contain a time limit, a condition, a charge, a reservation of the right to appeal, a recommendation or an obligation to conclude an administrative contract.

(4) When pursuant to this Act the consequences of the lapsing of authorisations or approvals issued by the Croatian National Bank in accordance with this Act arise, the Croatian National Bank shall adopt a declaratory decision on the lapsing of authorisations or approvals."

#### Article 112

In Article 323a, paragraph (5), the words "10 working days" are replaced by the words "14 days".

#### Article 113

In Article 323b, paragraph (1) is amended to read:

"(1) In the course of the supervisory procedure of the Croatian National Bank as well as in the course of the administrative sanctions procedure, the party in the procedure or the party against whom the procedure has been initiated shall be entitled to have access to the file."

In paragraph (4), after the words "or abroad" the words "or to the working documents produced by the Croatian National Bank during the supervisory procedure or the administrative sanctions procedure" are added.

#### Article 114

In Article 327, paragraph (1), item (1), the words "Articles 60, 62 and 66" are replaced by the words "Articles 60, 62, 66 and 73a".

Item (3) is amended to read:

"3) an application for authorisation referred to in Articles 63 and 149 of this Act within six months of receipt of a valid application."

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

"(3) The renewed procedure referred to in Article 44, paragraph (1), item (7) and Article 47, paragraph (1), item (5) of this Act may be initiated at the request of the party or *ex officio* within six years of the delivery date of the decision to the party.

(4) The time limit referred to in paragraph (1), item (2) of this Article for deciding and adopting a decision shall not run during the period granted to the party to submit its comments on the procedure pursuant to Article 323a of this Act.

#### Article 115

Title XXVIII and its title and Articles 329 to 357 and their titles are deleted.

#### Article 116

The title of Title XXIX.a is amended to read: "PROCEDURE FOR IMPOSING ADMINISTRATIVE SANCTIONS".

#### Article 117

In Article 359a the words "(hereinafter referred to as 'administrative sanctions procedure')" are deleted.

#### Article 118

The title of Article 359e is amended to read: "Decision regarding the initiation of the procedure for imposing a fine or a warning".

Article 359e is amended to read:

"(1) Where the Croatian National Bank in the course of the preliminary examination of the facts, circumstances and legal qualifications determines that there are grounds for imposing a fine or a warning for breaches referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act, it shall initiate the procedure for imposing administrative sanctions *ex officio* by reaching a decision regarding the initiation of the procedure for imposing a fine or a warning (hereinafter referred to as 'decision regarding the initiation of the procedure').

(2) The decision regarding the initiation of the procedure shall in particular contain:

1. case file reference;
2. description of the facts or circumstances leading to the initiation of the procedure for imposing a fine or a warning (breach description);
3. legal grounds on the basis of which and in conjunction with which a procedure for imposing a fine or a warning has been initiated;
4. invitation to the party against whom the procedure has been initiated to comment on all the facts, circumstances and legal issues relevant for deciding;
5. invitation to the party against whom the procedure has been initiated to submit data and documentation relevant for establishing the facts;
6. invitation to the party against whom the procedure has been initiated to comment on its financial standing;
7. invitation to the party against whom the procedure has been initiated to specify all the facts and circumstances which might affect the imposition of a fine or of a warning, i.e. the amount of the fine (mitigating and aggravating circumstances); and
8. invitation to the party against whom the procedure has been initiated to disclose other evidence.

(3) The Croatian National Bank shall be authorised to collect and process the personal data necessary to carry out the procedure for imposing a fine or a warning.

(4) The decision regarding the initiation of the procedure shall be submitted to the party against whom the procedure has been initiated.

(5) The procedure for imposing a fine or a warning shall be deemed to have been initiated on the date of adoption of the decision regarding the initiation of the procedure.

(6) The time limit within which the party against whom the procedure has been initiated has the right to be heard shall be set in the decision regarding the initiation of the procedure. The time limit may not be shorter than eight or longer than 30 days.

(7) By way of derogation from paragraph (6) of this Article, the Croatian National Bank may in duly justified cases at the request of the party against whom the procedure has been initiated extend the time limit for submission of comments by a maximum of 30 days.

(8) If the party against whom the procedure has been initiated does not submit its comments on the decision regarding the initiation of the procedure or if it declares itself unable to comply with the requirements set out in the decision, the Croatian National Bank shall establish the facts and circumstances relevant for establishing the factual situation and determining the criteria for imposing a fine or a warning *ex officio*, pursuant to its own findings, available data and documentation, and shall submit without delay to the party against whom the procedure has been initiated the findings on the established factual situation referred to in Article 359h of this Act."

#### Article 119

In Article 359f, paragraph (1), the words "administrative sanctions" are replaced by the words "a fine or a warning".

In paragraph (4), after the words "legal person" the words "up to HRK 3,750,000.00" are added and after the words "losses avoided" the words "or up to HRK 3,750,000.00" are added.

#### Article 120

In Article 359h, paragraph (1), item (3) is amended to read:

"3) the fine or warning imposed and the mitigating and aggravating circumstances taken into account when determining these sanctions, as well as the circumstances that affected the amount of the fine imposed if the sanction imposed was a fine."

In paragraph (2), the words "administrative sanctions" are replaced by the words "imposing a fine or a warning".

In paragraph (6), the words "the type and amount of the administrative sanction" are replaced by the words "the type and amount of a fine or a warning".

## Article 121

The title of Article 359i is amended to read: "Criteria for imposing a fine or a warning".

In Article 359i, paragraph (1), the introductory sentence is amended to read:

"(1) When imposing a fine or a warning, the Croatian National Bank shall take into account all circumstances affecting the type of the imposed fine or warning or the amount of the fine if the imposed sanction is a fine, in particular the mitigating and aggravating circumstances such as:".

## Article 122

The title of Article 359j is amended to read: "Competence for adopting the decision imposing administrative sanctions".

Article 359j is amended to read:

"(1) Decisions imposing a fine or a warning shall be adopted by the Council of the Croatian National Bank.

(2) Decisions imposing periodic penalty payments and decisions determining the total amount of periodic penalty payments shall be adopted by the Governor.

(3) The Croatian National Bank shall submit the decisions referred to in paragraph (1) or (2) of this Article to the perpetrator of the breach within eight working days of the adoption of the decision by the Council of the Croatian National Bank."

## Article 123

The title of Article 359l is amended to read: "Procedure of execution of fines or of the determined total amount of periodic penalty payments".

Article 359l is amended to read:

"(1) The decision of the Croatian National Bank imposing a fine or the decision determining the total amount of periodic penalty payments shall specify the time limit and method for payment of the imposed fine or periodic penalty payment.

(2) A fine or the determined total amount of periodic penalty payments shall be paid upon the enforceability of the decision of the Croatian National Bank if no appeal was filed or upon the enforceability of the court decision.

(3) The Croatian National Bank may conclude an administrative agreement with the party for the purpose of enforcing the decision at the proposal of the party to which a fine was imposed or a total amount of periodic penalty payments determined for a period not longer than 12 months during which time no limitation period referred to in Article 359n of this Article shall run.

(4) The fines imposed by the decision imposing administrative sanctions or periodic penalty payments imposed by the decision determining the total amount of periodic penalty payments shall be revenues of the state budget.

(5) Where the perpetrator of the breach fails to pay the fine or the determined total amount of periodic payments within the set time limit, the Croatian National Bank shall submit to the authority competent for enforcement over monetary assets an order for enforcing the payment of the fine or of the determined total amount of periodic payments pursuant to a special law. The fines or determined periodic penalty payments whose payment is enforced at the request of the Croatian National Bank shall be credited directly to the state budget."

#### Article 124

The title of Article 359n is amended to read: "Limitation periods for the execution of fines or of the determined total amount of periodic penalty payments".

Article 359n is amended to read:

"(1) A fine or the determined total amount of periodic penalty payments imposed pursuant to this Act shall not be executed if a time limit of five years expires from the date of the enforceability of the decision of the Croatian National Bank imposing the fine or determining the total amount of periodic penalty payments and/or enforceability of a court decision.

(2) The limitation period shall begin to run from the date when the party duly receives the enforceable court decision or, in cases where the party did not appeal against the decision, from the date of the enforceability of the decision of the Croatian National Bank referred to in paragraph (1) of this Article.

(3) After each interruption, the limitation period shall begin to run afresh.

(4) The limitation period referred to in paragraph (1) of this Article shall be interrupted:

– during the time allowed to pay the imposed fine or the determined amount of periodic penalty payments; or

– upon each action taken by the Croatian National Bank to execute the fine or the determined amount of total periodic penalty payments."

#### Article 125

In Article 359r, paragraph (1), the words "EU regulations or decision" are amended by the words "decisions or regulations of the European Central Bank".

Paragraph (4) is amended to read:

"(4) Periodic penalty payments shall be calculated for each day of the breach referred to in paragraph (1) of this Article."

Paragraph (6) is amended to read:

"If a party against whom the procedure has been initiated implemented the supervisory measure after the expiry of the time limit referred to in paragraph (5) of this Article, the Croatian National Bank shall in the decision determining the total amount of periodical penalty

payments specify the date of the termination of the breach that followed after the expiry of the time limit referred in paragraph (5) of this Article, determine the total amount of periodic penalty payments for each day of the breach and the period in which the credit institution is required to pay the said amount."

Paragraph (7) is amended to read:

"(7) The procedure referred to in Title XXVII of this Act shall apply *mutatis mutandis* to the procedure for imposing periodic penalty payments."

#### Article 126

After Article 359s, Article 359t and its title are inserted which read: "Procedure for imposing a fine or a warning in close cooperation".

#### Article 359t

In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises its powers and the Croatian National Bank acts in accordance with the instructions issued by the European Central Bank, the Croatian National Bank may initiate the procedure for imposing a fine or a warning only against a legal person or only against the responsible person of a legal person and in cases where this Act prescribes the penalisation of legal persons and their responsible persons for breaches."

#### Article 127

In Article 360, paragraph (1), item (3) is amended to read:

"3) if it fails to ensure that the acquirer ordered to sell the shares in accordance with Article 30, paragraph (1) or (2) of this Act does not exercise the voting rights arising from the shares ordered to be sold, which is contrary to Article 30, paragraph (8), item (1) of this Act."

After item (3), item (3a) is inserted which reads:

"3a) if until the expiry of the time limits set for the sale of shares it fails to notify the Croatian National Bank on a monthly basis of any changes of shareholders, which is contrary to Article 30, paragraph (8), item (2) of this Act;"

After item (4), items (4a) and (4b) are inserted which read:

"4a) if it fails to ensure that the members of the credit institution's management board, at all times, meet the criteria for membership in the management board in accordance with Article 38, paragraph (1) of this Act, which is contrary to Article 38, paragraph (2) of this Act;

4b) if it fails to ensure that the members of the credit institution's supervisory board, at all times, meet the criteria for membership in the supervisory board in accordance with Article 45, paragraph (1) of this Act, which is contrary to Article 45, paragraph (2) of this Act;"

Item (15) is amended to read:

"15) if it fails to establish or if it fails to apply remuneration policies that are proportionate to its size, internal organisation and the nature, scale and complexity of its activities, which is contrary to Article 100, paragraph (1) of this Act;"

After item (15), items (15a), (15b), (15c), (15d) and (15e) are inserted which read:

"15a) if it acts contrary to requirements regarding the determining of identified staff, including employee remuneration, or the method and scope of their implementation and if it fails to report to the Croatian National Bank in the manner and within the time limits referred to in subordinate legislation adopted under Article 100, paragraph (4) of this Act;

15b) if it sets the ratio between the variable and fixed components of total remuneration contrary to Article 100a, paragraph (1) of this Act;

15c) if, within five working days after the date the general meeting was held, it fails to notify the Croatian National Bank of the decision adopted at the general meeting on the approved higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio, or on the approved different higher ratios between variable and fixed components, if different higher ratios are applied to different business units, control and other functions and different categories of identified staff, including the specification of different higher ratios, which is contrary to Article 100a, paragraph (3) of this Act;

15d) if, within five working days after the date the general meeting was held, it fails to submit to the Croatian National Bank the information on the total number of staff (at the end of the last financial year), the number of identified staff (outcome of the last identification process), the balance sheet total (at the end of the last financial year), the decision taken by the general meeting of the credit institution, the ratio decided or where different ratios within the credit institution were approved, the business areas and approved percentages and the maximum approved ratio, which is contrary to Article 100a, paragraph (3) of this Act;

15e) if it uses the instruments to award variable remuneration in the form of ordinary shares of a credit institution which is its direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is its direct or indirect parent and which have an embedded clause that limits the maximum allowed value of instruments to their value on the date the remuneration was awarded, and the condition is not met that the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself, which is contrary to Article 100b of this Act;"

Item (24) is deleted.

Item (27) is amended to read:

"27) if it fails to establish and implement effective internal control systems in all areas of operation including an appropriate organisational structure, organisational culture, establishment of the credit institution's control functions, adequate control activities and the

allocation of responsibilities, appropriate internal controls integrated into the business processes and activities of the credit institution and appropriate administrative and accounting procedures, and thereby acts contrary to Article 104, paragraph (2) of this Act;".

After item (27), items (27a) to (27i) are inserted which read:

"27a) if it fails to establish a risk control function, a compliance function or an internal audit function, and thereby acts contrary to Article 105, paragraph (1) of this Act;

27b) if it fails to establish permanent and effective control functions independent from the business processes and activities in which a risk occurs or which are monitored and overseen by control functions, proportionally to its size and the nature, scale and complexity of its activities in accordance with its risk profile, and thereby acts contrary to Article 106, paragraph (1) of this Act;

27c) if it fails to organise an internal audit function as a separate organisational unit, functionally and organisationally independent both from the activities it audits and from other organisational units of the credit institution, and thereby acts contrary to Article 106, paragraph (4) of this Act;

27d) if it fails to organise its control functions in a manner to cover all material risks to which the credit institution is or might be exposed in its operation, and thereby acts contrary to Article 106, paragraph (5) of this Act;

27e) if it fails to establish control functions in a manner to avoid conflicts of interest, and thereby acts contrary to Article 106, paragraph (6) of this Act;

27f) if it fully outsources its control functions, and thereby acts contrary to Article 106, paragraph (7) of this Act;

27g) if, proportionally to its size, the nature, scale and complexity of its activities, for the carrying out of each control function, it fails to ensure a sufficient number of persons with adequate knowledge and experience, and thereby acts contrary to Article 107, paragraph (1) of this Act;

27h) if, for the performance of a certain control function, it fails to appoint a person responsible for the operation of the control function, and thereby acts contrary to Article 107, paragraph (2) of this Act; or

27i) if it fails to notify the Croatian National Bank, within three days, of the appointment of persons responsible for the operation of each control function or if it fails to notify the Croatian National Bank of the reasons for the removal of persons responsible for the operation of each control function, and thereby acts contrary to Article 107, paragraph (4) of this Act;".

After item (28), item (28a) is inserted which reads:

"28a) if it acts contrary to subordinate legislation governing control functions adopted under Article 105, paragraph (3) of this Act;".

After item (30), items (30a), (30b) and (30c) are inserted which read:

"30a) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet any requirements imposed under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 or to meet the additional own funds requirement imposed by the Croatian National Bank under Article 228 of this Act used to cover risks other than the risk of excessive leverage or to meet the guidance communicated by the Croatian National Bank to the credit institution in accordance with Article 228a of this Act, used to cover risks other than the risk of excessive leverage, which is contrary to Article 115a, paragraph (1) of this Act;

30b) if common equity tier 1 capital that is maintained to meet one of the buffers is used to meet other applicable buffers, which is contrary to Article 115a, paragraph (2) of this Act;

30c) if common equity tier 1 capital that is maintained to meet the combined buffer requirement is used to meet the requirements for own funds and eligible liabilities for G-SIIs referred to in Article 92a of Regulation (EU) No 575/2013 or to meet the requirements for own funds and eligible liabilities for non-EU G-SIIs referred to in Article 92b of Regulation (EU) No 575/2013 or to meet the minimum requirement for own funds and eligible liabilities imposed under Article 26 of the Act on the Resolution of Credit Institutions and Investment Firms or to meet the minimum requirement for own funds and eligible liabilities for resolution entities belonging to G-SIIs and Union material subsidiaries of non-EU G-SIIs, which is contrary to Article 115a, paragraph (3) of this Act;".

Items (31) to (34) are deleted.

Item (37) is amended to read:

"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 (10) of this Act;".

After item (38), items (38a), (38b) and (38c) are inserted which read:

"38a) if it meets the leverage ratio buffer requirement under Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and makes a distribution in connection with common equity tier 1 capital to an extent that would decrease its common equity tier 1 capital to a level where the combined buffer requirement is no longer met, which is contrary to Article 140, paragraph (6) of this Act;

38b) if it fails to meet the leverage ratio buffer requirement and if it fails to calculate the leverage ratio related maximum distributable amount (L-MDA) in accordance with subordinate legislation referred to in Article 140, paragraph (10) of this Act and/or if, without delay, it fails

to notify the Croatian National Bank of the calculated distributable amount, which is contrary to Article 140, paragraph (7) of this Act;

38c) 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 leverage ratio related maximum distributable amount (L-MDA) and thereby acts contrary to the provisions of Article 140, paragraph (8) of this Act, or if in this manner it distributes more than the maximum distributable amount and thereby acts contrary to Article 140, paragraph (10) of this Act;"

After item (42a), item (41b) is inserted which reads:

"42b) if for the calculation of exposure values for the purposes of Article 395 of Regulation (EU) 575/2013, it reduces the value of an exposure or any part of an exposure that is, in accordance with Article 125, paragraph (1) of Regulation (EU) 575/2013, fully secured by residential property or, in accordance with Article 126, paragraph (1) of Regulation (EU) 575/2013, fully secured by mortgages on commercial immovable property by the pledged amount of the market value or mortgage lending value of the property concerned, which is contrary to Article 145b of this Act;"

#### Article 128

In Article 361b, paragraph (1), item (34) is amended to read:

"34) if it fails to entrust at least one of its employees with the tasks of addressing consumer complaints or if it fails to appoint a person responsible for monitoring the process of consumer complaint management in accordance with Article 309, paragraph (5) of this Act;"

#### Article 129

In Article 363, paragraph (2), item (1), the words "paragraph (13)" are replaced by the words "paragraph (12)".

Item (3) is amended to read:

"3) if they fail to give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures or examination of the credit institution and thereby act contrary to Article 49, paragraph (1), item (1) of this Act;"

After item (3), items (3a) to (3h) are inserted which read:

"3a) if they fail to give opinions on reports of the Croatian National Bank on examination findings or examination reports from other supervisory authorities within 30 days of receipt and thereby act contrary to Article 49, paragraph (1), item (1) of this Act;

3b) if they fail to oversee the adequacy of procedures and effectiveness of internal audit activities and thereby act contrary to Article 49, paragraph (1), item (2) of this Act;

3c) if they fail to state its opinion on semi-annual internal audit reports and thereby act contrary to Article 49, paragraph (1), item (3) of this Act;

3d) if they fail to oversee the implementation and effectiveness of the credit institution's governance arrangements and thereby act contrary to Article 49, paragraph (1), item (5) of this Act;

3e) if they fail to oversee the implementation of the credit institution's business policy, strategic objectives and strategies and policies for taking up and managing the risks and thereby act contrary to Article 49, paragraph (1), item (6) of this Act;

3f) if they fail to establish and review regularly the basic principles of the remuneration policy and thereby act contrary to Article 49, paragraph (1), item (7) of this Act;

3g) if they fail to ensure that remuneration policies and practices are appropriately implemented and aligned with the overall corporate governance framework, corporate culture, risk appetite and the related governance process and thereby act contrary to Article 49, paragraph (1), item (8) of this Act;

3h) if they fail to oversee the process of disclosure and communication and thereby act contrary to Article 49, paragraph (1), item (9) of this Act."

#### Article 130

In Article 364, after paragraph (12), new paragraphs (13) and (14) are inserted which read:

"(13) An undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 that fails to submit an application for authorisation after any of the conditions referred to in Article 60, paragraph (7) of this Act has occurred, shall be fined up to 10% of total income.

(14) A responsible person of the undertaking shall be fined up to HRK 100,000.00 for the breach referred to in paragraph (13) of this Article."

The former paragraphs (13), (14) and (15) become paragraphs (15), (16) and (17).

#### Article 131

In Article 365, paragraph (1), after item (1), items (1a) to (1h) are inserted which read:

"1a) a parent financial holding company or a parent mixed financial holding company which fails to submit an application for authorisation referred to in Article 73a, paragraph (1) of this Act;

1b) a financial holding company or a mixed financial holding company which fails to submit an application to the Croatian National Bank to demonstrate that the conditions referred to in Article 73a, paragraph (6) of this Act have been met, and thereby acts contrary to Article 73a, paragraph (7) of this Act;

1c) a financial holding company or a mixed financial holding company referred to in Article 73a, paragraph (1) or (2) which fails to meet the conditions referred to in Article 73a, paragraph (5) of this Act on an ongoing basis, and thereby acts contrary to Article 73a, paragraph (9) of this Act;

1d) a financial holding company or a mixed financial holding company for which the Croatian National Bank adopts a decision that it meets the conditions referred to in Article 73a, paragraph (6) of this Act, which fails to meet those conditions on an ongoing basis, and thereby acts contrary to Article 73a, paragraph (10) of this Act;

1e) a parent financial holding company or a parent mixed financial holding company which at the request of the Croatian National Bank fails to submit the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in Article 73a, paragraph (4) or Article 73a, paragraph (6) of this Act;

1f) a parent financial holding company or a parent mixed financial holding company which contrary to suspension of voting rights imposed by the Croatian National Bank in accordance with Article 73a, paragraph (14), subparagraph (1) of this Act, votes at the general meeting of a subsidiary;

1g) a financial holding company or a parent mixed financial holding company for which the Croatian National Bank establishes that no longer meets the conditions referred to in Article 73a, paragraph (6) of this Act and which fails to submit the application for authorisation referred to in Article 73a, paragraph (1) or (2) of this Act, and thereby acts contrary to Article 73a, paragraph (17) of this Act;

1h) a parent financial holding company or a parent mixed financial holding company which fails to submit a report or fails to notify the Croatian National Bank of the content, the time limits or the method provided for in subordinate legislation adopted under Article 73a, paragraph (21), subparagraph (2) of this Act;".

Item (2) is amended to read:

"2) an RC parent credit institution or an EU parent credit institution having its head office in the RC which has to comply with prudential requirements on a sub-consolidated basis for a group of credit institutions if it fails to meet any of the requirements referred to in Article 97, paragraphs (1) to (5) 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 (3) to (6) of this Act;".

After item (2), items (2a) and (2b) are inserted which read:

"2a) an RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to comply with the provisions on the ratio between the variable and fixed

components of total remuneration on a consolidated basis referred to in Article 100a of this Act;

2b) an RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to ensure that its subsidiary, on an individual basis, meets the requirements in accordance with the provisions of this Act governing the remuneration policy and variable remuneration or subordinate legislation adopted under Article 100, paragraph (4) of this Act if the conditions referred to in Article 97a, paragraph (3) of this Act are met;"

Items (3) and (4) are amended to read:

"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;

4) an RC parent credit institution or an EU parent credit institution having its head office in the RC which fails to ensure that subsidiary members of a group of credit institutions in the RC, the parent mixed financial holding company and the parent financial holding company deliver to it the data relevant for the purposes of consolidation, and thereby acts contrary to Article 281, paragraph (2) of this Act;"

## **TRANSITIONAL AND FINAL PROVISIONS**

### **Article 132**

#### *Compliance with the law governing deposit insurance*

In the entire text of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019 and 47/2020) the name "State Agency for Deposit Insurance and Bank Resolution" in various grammatical cases is replaced by the name "Croatian Agency for Deposit Insurance" in the appropriate grammatical case.

#### *Compliance with the provisions of this Act*

### **Article 133**

(1) A credit institution having its head office in the Republic of Croatia which is a member of a third-country group operating through more than one institution in the EU and with a total value of assets equal to or greater than EUR 40 billion on 27 June 2019 shall have an intermediate EU parent undertaking or, if Article 73e, paragraph (2) applies which is inserted by Article 28 of this Act, two intermediate EU parent undertakings by 30 December 2023.

(2) Financial holding companies or mixed financial holding companies referred to in Article 73a which is inserted by Article 28 of this Act, already existing on 27 June 2019 shall apply to the Croatian National Bank for authorisation in accordance with Article 73a which is inserted by Article 28 of this Act, by 28 June 2021.

(3) If a financial holding company or a mixed financial holding company fails to apply for authorisation referred to in paragraph (2) of this Article by 28 June 2021, the Croatian National Bank shall take appropriate measures in accordance with the provisions of Article 73a, paragraph (14) which is inserted by Article 28 of this Act.

(4) For the purposes of consolidated supervision during the transitional period referred to in paragraph (2) of this Article, the Croatian National Bank shall have all the necessary supervisory powers conferred on it by Article 73a which is inserted by article 28 of this Act.

(5) The undertakings referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 that on 24 December 2019 carry out activities as investment firms authorised under the act governing the capital market or the act governing alternative investment funds or if a regulation of another Member State was applied governing the financial instruments market, shall apply to the Croatian National Bank for authorisation in accordance with Article 23 of this Act by 31 December 2020.

#### Article 134

##### *Application of current subordinate legislation*

(1) Until the date of entry into force of the regulations adopted pursuant to this Act, the following legislation shall remain in force:

- 1) Decision on the countercyclical buffer rate (Official Gazette 9/2015);
- 2) Decision on the application of the structural systemic risk buffer (Official Gazette 78/2017);
- 3) Decision on staff remuneration (Official Gazette 31/2017 and 57/2017);
- 4) Decision on remuneration policies and practices related to the provision of banking products and/or services to consumers (Official Gazette 106/2018).

##### *Time limits for the adoption of subordinate legislation*

#### Article 135

The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 28, 35, 43, 45 and 56 of this Act within 24 months of the entry into force of this Act.

##### *Entry into force*

#### Article 136

This Act shall be published in the Official Gazette and shall enter into force on 29 December 2020, with the exception of the provisions of:

- Article 69, paragraphs (2) and (4), amended by Article 26 of this Act, which shall enter into force on the date of entry into force of the new law governing the resolution of credit institutions and investment firms;

- Articles 27 and 132 of this Act, which shall enter into force on the date of entry into force of the new law governing deposit insurance;
- Articles 25, 31, 32, 66 and 76 of this Act, Article 206, paragraph (3), item (2), amended by Article 78 of this Act, Article 208, paragraph (1), items (3) and (4), amended by Article 79 of this Act, Article 209, paragraph (1), item (1), amended by Article 80 of this Act, Articles 92, 95 to 101 of this Act, Article 323, paragraph (2), amended by Article 111 of this Act and Article 115 of this Act, which shall enter into force on the date of the entry into force of the law governing compulsory winding up of credit institutions;
- Article 38 and 73 of this Act and Article 224, paragraphs (3), (4) and (5), amended by Article 87 of this Act, which shall enter into force on 28 June 2021; and
- Article 140, paragraphs (6) to (9), inserted by Article 56 of this Act, Article 140b, inserted by Article 57 of this Act and Article 58 of this Act, which shall enter into force on 1 January 2023.

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Zagreb, 18 December 2020

THE CROATIAN PARLIAMENT  
The President of the Croatian Parliament  
Gordan Jandroković, m.p.