

CREDIT INSTITUTIONS ACT

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unofficial consolidated version)

I GENERAL PROVISIONS

Subject matter

Article 1

This Act governs:

- 1) the conditions for the establishment, operation and dissolution of credit institutions with head offices in the Republic of Croatia, as well as their prudential supervision;
- 2) the conditions under which legal persons with head offices outside the Republic of Croatia may provide banking and/or financial services in the Republic of Croatia; and
- 3) publication requirements for the Croatian National Bank in the field of prudential regulation and supervision of credit institutions.

Compliance with the regulations of the European Union

Article 2

(1) This Act transposes the following directives into the legal system of the Republic of Croatia:

- 1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, hereinafter referred to as 'Directive 2013/36/EU'), as last amended by Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015);
- 2) Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (OJ L 372, 31.12.1986), as last amended by Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006 amending Council Directives 78/660/EEC on the annual accounts of certain types of companies, 83/349/EEC on consolidated accounts, 86/635/EEC on the annual accounts and consolidated

accounts of banks and other financial institutions and 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings (OJ L 224, 16.8.2006);

3) Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes (OJ L 135, 31.5.1994), as last amended by Directive 2009/14/EC of the European Parliament and of the Council of 11 March 2009 amending Directive 94/19/EC on deposit-guarantee schemes as regards the coverage level and the payout delay (OJ L 68, 13.3.2009);

4) Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12.6.2014);

5) Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions (OJ L 125, 5.5.2001), as last amended by 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);

6) Council Directive 89/117/EEC of 13 February 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents (OJ L 44, 16.2.1989); and

7) 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').

(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').

(3) This Act further regulates the implementation of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, hereinafter referred to as 'Regulation (EU) No 537/2014').

(4) This Act further regulates the implementation of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, hereinafter referred to as 'Regulation (EU) No 1024/2013').

(5) This Act further regulates the implementation of Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the

Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (OJ L 141/1, 14.5.2014, hereinafter referred to as 'Regulation (EU) No 468/2014').

Terms used in this Act

Article 3

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

- 1) '*immediate family member*' means:
 1. the spouse or the person with whom one lives, for a longer period of time in a joint household, who, in accordance with a special law, has the status equivalent to that in a marriage;
 2. a son, an adopted son, a daughter or an adopted daughter of the person;
 3. a son, an adopted son, a daughter or an adopted daughter of the person referred to in sub-item (1) of this item;
 4. another person without full legal capacity and under the custody of the person;
- 2) '*discretionary pension benefits*' shall have the meaning as defined in Article 4, paragraph (1), item (73) of Regulation (EU) No 575/2013;
- 3) '*subsidiary*' shall have the meaning as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;
- 4) '*insurance undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (5) of Regulation (EU) No 575/2013;
- 5) '*ancillary services undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (18) of Regulation (EU) No 575/2013;
- 6) '*reinsurance undertaking*' shall have the meaning as defined in Article 4, paragraph (1), item (6) of Regulation (EU) No 575/2013;
- 7) '*asset management company*' shall have the meaning as defined in Article 4, paragraph (1), item (19) of Regulation (EU) No 575/2013;
- 8) '*host Member State*' shall have the meaning as defined in Article 4, paragraph (1), item (44) of Regulation (EU) No 575/2013;
- 9) '*financial institution*' shall have the meaning as defined in Article 4, paragraph (1), item (26) of Regulation (EU) No 575/2013;
- 10) '*leverage*' shall have the meaning as defined in Article 4, paragraph (1), item (93) of Regulation (EU) No 575/2013;
- 11) '*financial holding company*' shall have the meaning as defined in Article 4, paragraph (1), item (20) of Regulation (EU) No 575/2013;
- 12) '*financial instrument*' shall have the meaning as defined in Article 4, paragraph (1), item (50) of Regulation (EU) No 575/2013;
- 13) '*financial contracts*' shall have the meaning as defined in Article 4, paragraph (2), item (97) of the Act on the Resolution of Credit Institutions and Investment Firms;
- 14) '*group*' means a parent undertaking as defined in Article 4, paragraph (1), item (15), sub-item (a) of Regulation (EU) No 575/2013 and its subsidiary as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;
- 15) '*group of credit institutions*' shall have the meaning as defined in Article 17 of this Act;
- 16) '*group of credit institutions in the EU*' means a group of credit institutions the ultimate parent institution of which is an EU parent credit institution, an EU parent financial holding company or an EU parent mixed financial holding company, which is not at the same time a group of credit institutions in the Republic of Croatia (hereinafter referred to as 'RC');

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

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

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

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

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

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

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

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

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

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

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

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

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

29a) '*less significant supervised entity*' shall have the meaning as defined in Article 2, point (7) of Regulation (EU) No 468/2014;

29b) '*less significant supervised group*' shall have the meaning as defined in Article 2, point (23) of Regulation (EU) No 468/2014;

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

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

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

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

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

Republic of Croatia, or of a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent credit institution;

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

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

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

38) '*RC parent financial holding company*' means a financial holding company which is not itself a subsidiary of a credit institution or an investment firm authorised in the Republic of Croatia or a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent financial holding company;

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

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

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

42) '*RC parent mixed financial holding company*' means a mixed financial holding company which is not itself a subsidiary of a credit institution or an investment firm authorised in the Republic of Croatia, or of a financial holding company or mixed financial holding company set up in the Republic of Croatia, but excluding an EU parent mixed financial holding company;

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

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

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

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

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

47a) '*national competent authority in close cooperation*' shall have the meaning as defined in Article 2, point (10) of Regulation (EU) No 468/2014. In the Republic of Croatia, the national competent authority in close cooperation is the Croatian National Bank;

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

48a) '*supervised entity*' shall have the meaning as defined in Article 2, point (20) of Regulation (EU) No 468/2014;

48b) '*supervised group*' shall have the meaning as defined in Article 2, point (21) of Regulation (EU) No 468/2014;

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

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

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

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

53) '*indirect holder*' means a holder of shares, holdings or other rights providing him with a share of the capital or the voting rights of a legal person, which is:

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

2. a person closely linked with a direct holder of shares, holdings or other rights in a legal person and that person's immediate family members; or

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

54) '*indirect holding*' means a holding in the capital of a legal person or an acquisition of the voting rights of a legal person through a third party;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

73) '*systemic risk*' means a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the economy as a whole;

74) '*systemically important credit institution*' means an EU parent credit institution, an EU parent financial holding company, and EU parent mixed financial holding company or a credit institution the failure or malfunction of which could lead to systemic risk;

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

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

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

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

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

80) '*countercyclical buffer rate*' means the rate that credit institutions must apply in order to calculate their institution-specific countercyclical capital buffer, and that is set in accordance with Article 119 or 124 of this Act or by a relevant third-country authority, as the case may be;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

91) '*combined buffer requirement*' means the total common equity tier 1 capital required to meet the requirement for the capital conservation buffer extended by the following, as applicable:

1) a countercyclical capital buffer;

2) a G-SII buffer;

3) an O-SII buffer;

4) a structural systemic risk buffer.

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

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

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

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

96) '*significant supervised group*' shall have the meaning as defined in Article 2, point (22) of Regulation (EU) No 468/2014;

97) '*significant supervised entity*' shall have the meaning as defined in Article 2, point (16) of Regulation (EU) No 468/2014.

Cooperation within the European System of Financial Supervision

Article 4

(1) In the exercise of its duties, the Croatian National Bank shall take into account the convergence in respect of supervisory tools and supervisory practices in the application of this Act, Regulation (EU) No 575/2013 and other regulations. For that purpose, it shall:

1) as a party to the European System of Financial Supervision, cooperate with trust and full mutual respect, in particular when ensuring the flow of appropriate and reliable information between itself and other parties to the ESFS, in accordance with the principle of sincere cooperation set out in Article 4, paragraph (3) of the Treaty on the Functioning of the European Union;

2) participate in the activities of the European Banking Authority and, as appropriate, in the colleges of supervisors;

3) make every effort to comply with those guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority, amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331/12, 15.12.2010, hereinafter referred to as 'Regulation (EU) No 1093/2010'), and respond to the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Risk Board (OJ L 331/1, 24.11.2010, hereinafter referred to as 'Regulation (EU) No 1092/2010'); and

4) cooperate closely with the European Systemic Risk Board.

(2) The Croatian National Bank shall, in the exercise of its duties, duly consider the potential impact of its decisions and actions on the stability of the financial system in the other Member States concerned and, in particular, in emergency situations, based on the information available at the relevant time.

Credit institution

Article 5

(1) A credit institution having its head office in the Republic of Croatia may, under the conditions laid down in this Act, be established as a bank, a savings bank or a housing savings bank.

(2) For the purposes of this Act, the term 'credit institution', where not further qualified by the words 'of a Member State' or 'of a third country', means a credit institution which has its head office in the Republic of Croatia and is authorised by the Croatian National Bank. Exceptionally, for the purposes of this Title, the term 'credit institution' shall be used for all credit institutions regardless of the country where they have their head office. For the purposes of Title XXII Supervision on a consolidated basis, the term 'subsidiary credit institution' shall be used for any credit institution having the status of a subsidiary credit institution regardless of the country where it has its head office.

Use of name in legal transactions

Article 6

(1) The words 'credit institution' and 'bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies or used in legal transactions only by:

- 1) a legal person authorised by the Croatian National Bank as a bank;
- 2) credit institutions providing services under Article 85 or Article 89 of this Act;
- 3) credit institutions referred to in Article 87 of this Act;

4) members of a group of credit institutions; and

5) representative offices of credit institutions of third countries which carry out activities within the territory of the Republic of Croatia.

(2) By way of derogation from paragraph (1) of this Article, the words 'credit institution' and 'bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies and used in legal transactions by other legal persons where provided for in another law.

(3) A legal person authorised as a bank under this Act may enter the words 'savings bank' or derivatives of these words, if contained in the firm name, in the register of companies and use them in legal transactions.

(4) Credit institutions from other Member States may use within the territory of the Republic of Croatia the same name as they use in the home Member State. Exceptionally, in the situation where there is already a credit institution operating within the territory of the Republic of Croatia under the same or similar name, the Croatian National Bank may, for the purposes of clarification, require that the name of a credit institution of another Member State be accompanied by certain explanatory particulars.

Banking services

Article 7

(1) Banking services are the taking of deposits or other repayable funds from the public and the granting of credits for own account from these funds.

(2) Unless otherwise provided for in this Act, 'deposit' means a cash deposit as defined in the Civil Obligations Act.

(3) For the purposes of this Act, the following shall not constitute the taking of deposits or other repayable funds from the public referred to in paragraph (1) of this Article:

1) receipts of funds that are immediately exchanged for electronic money by an electronic money institution;

2) receipts of funds by the Republic of Croatia or other Member States, by regional or local authorities of the Republic of Croatia or of other Member States, or by public international bodies of which one or more Member States are members;

3) taking of deposits from its members by a credit union;

4) receipt of funds as membership fees, voluntary contributions or similar non-repayable funds by associations;

5) receipts from the issuance of debt securities by a legal person, other than a credit institution, by which it finances its core activities, provided its core activity is not the granting of credits; or

6) receipts of funds by payment institutions from payment service users for the provision of payment services in accordance with a special law.

Core and additional financial services

Article 8

(1) For the purposes of this Act, core financial services are as follows:

- 1) taking of deposits or other repayable funds;
- 2) lending, including consumer credit, mortgage credit and, where permitted by a special law, financing of commercial transactions, including export financing based on the purchase at a discount without recourse of non-current, non-matured receivables collateralised with a financial instrument (forfeiting);
- 3) repurchase of receivables with or without recourse (factoring);
- 4) financial leasing;
- 5) issuance of guarantees or other commitments;
- 6) trading for own account or for the accounts of clients in:
 - money market instruments;
 - transferable securities;
 - foreign exchange, including currency exchange transactions;
 - financial futures and options;
 - exchange and interest-rate instruments;
- 7) money transmission services in accordance with special laws;
- 8) credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;
- 9) issuing and administering other means of payment, if the provision of such services is not considered the provision of services within the meaning of item (7) of this paragraph and pursuant to a special law;
- 10) safe custody services;
- 11) money broking;
- 12) participation in issues of financial instruments as well as the provision of services relating to issues of financial instruments in accordance with the law governing the capital market;

13) portfolio management and advice;

14) safekeeping of financial instruments and services related to the safekeeping of financial instruments in accordance with the law governing the capital market;

15) advice to legal persons on capital structure, business strategy and related issues as well as the provision of services relating to mergers and the acquisition of shares and holdings in other companies;

16) issuance of electronic money; and

17) investment and ancillary services and activities prescribed in the special law governing the capital market and not included in services referred to in items (1) to (16) of this paragraph.

(2) For the purposes of this Act, additional financial services are as follows:

1) activities related to the sale of insurance policies in accordance with the law governing insurance;

2) payment systems management services in accordance with the provisions of a special law;

3) other services which a credit institution may provide in accordance with the provisions of a special law;

4) trading in gold;

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

6) other services or activities that are, in terms of the manner of the provision and risk to which a credit institution is exposed, similar to core financial services referred to in paragraph (1) of this Article and listed in the credit institution's authorisation.

Mutually recognised services

Article 9

(1) For the purposes of this Act, mutually recognised services are:

1) mutually recognised banking services, and

2) mutually recognised financial services.

(2) Mutually recognised banking services are the services referred to in Article 7 of this Act.

(3) Mutually recognised financial services are the services referred to in Article 8, paragraph (1) of this Act.

Advertising

Article 10

Credit institutions with head offices in other Member States may advertise their services in the Republic of Croatia, subject to any rules of the Republic of Croatia governing such advertising and adopted in the interests of the general good.

Croatian National Bank competence

Article 11

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

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

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

Close cooperation

Article 11a

(1) In accordance with Article 7, paragraph (2) of Regulation (EU) No 1024/2013, as of the date of application of the decision establishing a close cooperation that was published in the Official Journal of the European Union, the Croatian National Bank shall abide by any guidelines or requests issued by the European Central Bank, and shall adopt any measure in relation to credit institutions requested by the European Central Bank.

(2) Legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013 shall be directly applicable in the Republic of Croatia.

(3) Whenever the European Central Bank exercises and performs its supervisory tasks referred to in Articles 4 and 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall in performing its supervisory tasks and exercising its supervisory powers or powers of the designated authority in accordance with this Act and Regulation (EU) No 575/2013 adopt decisions in accordance with the instructions, requests or guidelines issued by the European Central Bank in accordance with Article 7 of Regulation (EU) No 1024/2013.

(4) Whenever the European Central Bank exercises and performs its supervisory tasks referred to in Article 4, paragraphs (1) and (2) of Regulation (EU) No 1024/2013, in relation to significant supervised entities or significant supervised group, the Croatian National Bank shall in performing its supervisory tasks and exercising its supervisory powers in accordance with this Act and Regulation (EU) No 575/2013 adopt decisions only upon request and in accordance with the European Central Bank's specific instructions, guidelines, requests and measures.

(5) Whenever the European Central Bank exercises and performs its supervisory tasks referred to in Article 4, paragraph (1), points a) and c) of Regulation (EU) No 1024/2013, in relation to less significant supervised entities or less significant supervised group, the Croatian National Bank shall in performing its supervisory tasks and exercising its supervisory powers in accordance with this Act and Regulation (EU) No 575/2013 adopt decisions only upon request and in accordance with the European Central Bank's specific instructions, guidelines, requests and measures, unless otherwise provided by Regulation (EU) No 1024/2013 or legal acts of the European Central Bank.

(6) Whenever the European Central Bank exercises and performs its supervisory tasks referred to in Article 4, paragraph (1), points b), d) to g) and i) of Regulation (EU) No 1024/2013, in relation to less significant supervised entities or less significant supervised group, the Croatian National Bank shall in performing its supervisory tasks and exercising its supervisory powers in accordance with this Act and Regulation (EU) No 575/2013 adopt decisions upon request and in accordance with the European Central Bank's instructions, guidelines, requests and measures.

(7) Whenever the European Central Bank exercises and performs its supervisory tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall in exercising its powers of the macroprudential authority in accordance with this Act and Regulation (EU) No 575/2013 adopt decisions in accordance with the instructions, requests or guidelines issued by the European Central Bank in accordance with Article 7 of Regulation (EU) No 1024/2013.

(8) Where the Croatian National Bank acts as designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 or adopts any other measures aimed at addressing systemic or other macroprudential risks provided for, and subject to the procedures set out, in Regulation (EU) No 575/2013 and this Act in the cases specifically set out in relevant Union law in the part related to the adoption of measures to limit systemic risk, whenever the European Central Bank exercises and performs its supervisory powers and tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall, in accordance with Article 7 of the Regulation (EU) No 1024/2013, act in accordance with the instructions issued by the European Central Bank.

(9) Where the Croatian National Bank acts in accordance with Article 7, paragraph (8) of Regulation (EU) No 1024/2013, the Croatian National Bank may propose to the Government of the Republic of Croatia to request the European Central Bank to terminate close cooperation with immediate effect.

(10) The Government of the Republic of Croatia shall without delay notify the Croatian National Bank of submitting the request referred to in paragraph (9) of this Article.

(11) Upon the termination of close cooperation, the legal acts of the European Central Bank adopted pursuant to Regulation (EU) No 1024/2013 shall cease to be applied in the Republic of Croatia and the Croatian National Bank shall inform supervised entities and supervised groups thereof.

(12) Where the Governing Council of the European Central Bank notifies the Croatian National Bank that it confirmed its objection to the complete draft decision of the Supervisory Board, the Croatian National Bank may, within five days of the receipt of such notification, notify the European Central Bank that it shall not be bound by any of the decisions adopted pursuant to

the amended initial complete draft decision to which the Governing Council of the European Central Bank raised its objection.

(13) The Croatian National Bank shall, without delay, notify the Government of the Republic of Croatia of the circumstances referred to in paragraph (12) of this Article.

Comprehensive assessment by the European Central Bank

Article 11b

(1) Aiming to establish close cooperation between the Croatian National Bank and the European Central Bank in accordance with Article 7 of Regulation (EU) No 1024/2013 and in order to ensure to the European Central Bank or the person empowered by the European Central Bank, the performance of a comprehensive assessment referred to in Article 7, paragraph (2), point (b) of Regulation (EU) No 1024/2013, the persons referred to in Article 179, paragraph (2) of this Act shall provide to the European Central Bank or the person empowered by the European Central Bank all necessary information.

(2) For the purposes of a comprehensive assessment referred to in paragraph (1) of this Article, the European Central Bank or the person empowered by the European Central Bank, may:

- 1) request from the persons referred to in Article 179, paragraph (2) of this Act to submit documentation;
- 2) carry out a review of business books and documentation of the persons referred to in Article 179, paragraph (2) of this Act including to obtain copies;
- 3) request written and oral explanations from the persons referred to in Article 179, paragraph (2) of this Act and from their employees; and
- 4) for the purpose of collecting information, interview any person it considers as having relevant information, provided such person provides their explicit consent.

(3) The submission of the information referred to in paragraphs (1) and (2) of this Article shall not be considered as disclosure of business or banking secret.

Direct provision of services

Article 12

(1) For the purposes of this Act, it shall be deemed that an institution of a Member State directly provides mutually recognised services within the territory of another Member State:

1) where it concludes legal arrangements within the territory of that Member State, the subject of which are one or more mutually recognised services; or

2) where it offers such service within the territory of that Member State to a natural or legal person who has its domicile, normal place of residence or head office within the territory of that Member State, through its representatives, intermediaries or by some other means.

(2) For the purposes of this Act, it shall be deemed that an institution directly provides services within the territory of the Republic of Croatia on a temporary basis where it does not provide mutually recognised services regularly, frequently or on an ongoing basis.

Member State and third country

Article 13

(1) For the purposes of this Act, 'Member State' means a Member State of the European Union and a contracting party to the Agreement on the European Economic Area (OJ L 1, 3. 1. 1994).

(2) For the purposes of this Act, 'third country' means a foreign country that is not a Member State.

Representative office of a credit institution

Article 14

For the purposes of this Act, 'representative office of a credit institution' means a legally dependent part of a credit institution which may only carry out activities related to market research, representation and advertising of the credit institution which established it and the providing of information on the credit institution which established it.

Undertakings linked by management on a unified basis

Article 15

(1) 'Undertakings linked by management on a unified basis' means undertakings which are not linked in any of the ways referred to in Article 3, item (27) of this Act but are linked in one of the following ways:

- 1) the undertakings are on an equal footing and are linked by management on a unified basis pursuant to a contract or provisions of the Articles of Association;
- 2) the undertakings are controlled by the same third person; or
- 3) the majority of their management or supervisory boards consists of the same persons.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall issue a decision to determine how consolidation is to be carried out.

Persons acting in concert

Article 16

(1) Persons acting in concert means natural or legal persons who cooperate with each other on the basis of an agreement, either express or tacit, either oral or written, aimed at acquiring shares with voting rights or coordinated exercising of voting rights or other rights arising from shares;

(2) The following shall be deemed to be acting in concert:

- 1) shareholders that have reached an agreement on matters of corporate governance by which corporate governance of a credit institution is regulated in a manner that differs from the prescribed manner or an agreement on the manner of exercising other rights arising from shares;
 - 2) natural persons if they are linked by consanguinity in the direct line without restraint and in the collateral line ending with brothers and sisters, or if they are a spouse or the person with whom one lives for a longer period of time in a joint household, who, in accordance with a special law has the status equivalent to that in a marriage;
 - 3) persons who are members of senior management, management board or supervisory board, or persons authorised to appoint members of senior management, management board or supervisory board in a credit institution of which a qualifying holding is being established;
 - 4) undertakings that are members of the same group;
 - 5) persons linked only by circumstances which indicate coordination in the acquisition of shares or joint intent of the persons to acquire shares, including the use of the same sources of financing;
 - 6) person who coordinated exercising of voting rights in the credit institution of which a qualifying holding is being established;
 - 7) legal persons interconnected within the meaning of the provisions of the Companies Act;
 - 8) members of management or supervisory boards of undertakings acting in concert;
 - 9) members of management or supervisory boards and the undertakings in which they are members of these bodies;
 - 10) a management company and all investment funds managed by that company;
 - 11) legal persons and natural and/or legal persons when one of them directly or indirectly controls the other legal person or legal persons; or
 - 12) persons who are within the meaning of the provisions of the regulation governing the takeover of joint stock companies required to publish a bid to take over the credit institution.
- (3) For persons for whom it determines the existence of other circumstances similar to the circumstances referred to in paragraph (2) of this Article, the Croatian National Bank may adopt a decision determining their acting in concert.
- (4) The Croatian National Bank shall adopt subordinate legislation to further regulate the circumstances indicating acting in concert referred to in paragraphs (2) and (3) of this Article.

Group of credit institutions

Article 17

- (1) For the purposes of this Act, 'group of credit institutions' means credit institutions, investment firms and financial institutions of which at least one has the status of:

- 1) a parent credit institution;
 - 2) a parent financial holding company having at least one subsidiary credit institution;
 - 3) a credit institution which is linked with another legal person within the group of credit institutions by management on a unified basis referred to in Article 15, paragraph (1), item (1) or (3) of this Act; or
 - 4) a parent mixed financial holding company having at least one subsidiary credit institution.
- (2) By way of derogation from paragraph (1) of this Article, a group of credit institutions shall be a group of credit institutions as determined, within its competence, by the competent authority of another Member State or of a third country.

II STATUS PROVISIONS

II.1 APPLICATION OF THE PROVISIONS OF THE COMPANIES ACT

Application of the provisions of the Companies Act

Article 18

The provisions of the Companies Act shall apply to credit institutions, unless otherwise prescribed in this Act.

II.2 INITIAL CAPITAL AND SHARES OF A CREDIT INSTITUTION

Initial capital of a credit institution

Article 19

- (1) The initial capital of a bank shall not be less than HRK 40 million.
- (2) The initial capital of a savings bank shall not be less than HRK 8 million.
- (3) The initial capital of a housing savings bank shall not be less than HRK 20 million.
- (4) Initial capital shall comprise one or more of the items referred to in Article 26, paragraph (1), items (a) to (e) of Regulation (EU) No 575/2013.

Shares of a credit institution

Article 20

- (1) A credit institution shall be a joint stock company.
- (2) The shares of a credit institution must be registered.

(3) The shares of a credit institution shall be fully paid-up in cash before the institution is entered into the register of companies, and before any increase in the initial capital is entered into the register.

(4) By way of derogation from paragraph (3) of this Article, the shares of a credit institution need not be paid-up in cash if the initial capital has increased due to:

1) the implementation of changes in the status referred to in Article 63 of this Act to which the credit institution is a party, subject to the prior approval of the Croatian National Bank; or

2) the conversion of a capital instrument or another cash liability of the credit institution to its initial capital in accordance with this Act or Regulation (EU) No 575/2013.

(5) The shares of a credit institution shall be issued in non-material form.

(6) Holders of shares of a credit institution shall in exercising their rights attached to shares act in the interest of the credit institution.

(7) Where shares of a credit institution are held in a custody account, the custody account must be registered.

Credits and guarantees for the acquisition of shares or holdings and other own funds instruments

Article 21

(1) A credit institution may not directly or indirectly grant credits or issue guarantees or other commitments for the acquisition of its own shares or of shares and holdings in undertakings in whose capital it participates with a share of 20% or more, unless such acquisition of shares or holdings is to result in the termination of all types of capital links between the credit institution and the undertaking in question.

(2) All legal arrangements the economic substance of which is equivalent to credit shall be deemed to be the granting of credits referred to in paragraphs (1) and (3) of this Article.

(3) A credit institution may not directly or indirectly grant credits or issue guarantees or other commitments for the acquisition of other financial instruments issued by that credit institution or an undertaking in whose capital it participates with a share of 20% or more, which, due to their characteristics, are included in the calculation of the credit institution's own funds.

(4) By way of derogation from paragraph (1) of this Article, a credit institution may grant credits or issue credit guarantees to its employees and employees of undertakings in which it holds participation for the acquisition of shares of that credit institution. The total of such credits and guarantees shall not exceed 10% of the credit institution's initial capital.

Preferential shares of a credit institution

Article 22

The amount of preferential shares shall not exceed one quarter of the credit institution's total initial capital.

Prohibition on the acquisition of shares

Article 23

- (1) Where a credit institution has a qualifying holding in a legal person, such legal person may not acquire a qualifying holding in that credit institution.
- (2) Where a legal person has a qualifying holding in a credit institution, such credit institution may not acquire a qualifying holding in that legal person.
- (3) The exemptions from the limits on holdings referred to in Article 148, paragraph (2) of this Act shall also apply to the limits referred to in paragraph (2) of this Article.

II.3 SHAREHOLDERS OF A CREDIT INSTITUTION

Approval to acquire a qualifying holding

Article 24

- (1) A holder of a qualifying holding may only be a legal or natural person and persons acting in concert who have obtained prior approval from the Croatian National Bank to acquire a qualifying holding, in the amount for which they obtained the prior approval.
- (2) A legal or natural person and persons acting in concert shall submit to the Croatian National Bank an application for prior approval for the acquisition of shares of a credit institution on the basis of which they, individually or jointly, directly or indirectly, acquire a qualifying holding in the credit institution.
- (3) A holder of a qualifying holding shall submit an application for prior approval for each further direct or indirect increase of a qualifying holding in the amount equalling or exceeding 20%, 30% or 50% of the capital or of the voting rights of a credit institution.
- (4) By way of derogation from paragraphs (2) and (3) of this Article, for persons who are not the direct acquirers of a qualifying holding or the ultimate acquirers of a qualifying holding, the application for the prior approval to acquire a qualifying holding in a credit institution may be submitted by the ultimate acquirer of a qualifying holding.
- (5) Persons who obtained the prior approval shall, within 12 months of the adoption of the decision on the prior approval, complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof.
- (6) Persons who obtained the prior approval who will not complete the acquisition of a qualifying holding within the period referred to in paragraph (5) of this Article may, no later than 15 days before the expiry of that period, submit a reasoned request to the Croatian National Bank for an extension of that period. This extension may be up to six months.

(7) Should persons who obtained the prior approval take a decision to sell or otherwise dispose of their shares so as to reduce their holdings below the threshold for which they obtained prior approval, they shall notify the Croatian National Bank in advance.

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

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

1) a credit institution, an insurance or reinsurance undertaking or a management company within the meaning of the law governing the operation of open-ended investment funds (hereinafter referred to as 'UCITS management company'), a pension company within the meaning of the law governing the operation of pension funds (hereinafter referred to as 'pension company'), an investment firm authorised in another Member State, or if the acquisition falls within the competence of another supervisory authority;

2) the parent undertaking of a credit institution, insurance or reinsurance undertaking, UCITS management company, a pension company or an investment firm authorised in another Member State, or if the acquirer falls within the competence of another supervisory authority; or

3) a natural or legal person controlling a credit institution, insurance or reinsurance undertaking, UCITS management company, a pension company or an investment firm authorised in another Member State, or if the acquirer falls within the competence of another supervisory authority.

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

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

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

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

(14) Voting rights or shares which credit institutions may hold as a result of providing the underwriting of financial instruments and/or placing of financial instruments on a firm

commitment basis shall not be taken into account when determining the percentage of a qualifying holding, provided that those rights are, on the one hand, not used to intervene in the management of the issuer and, on the other, disposed of within one year of acquisition.

(15) Shareholders of a credit institution who, after acquiring shares of the credit institution, become persons acting in concert, owing to which they as persons acting in concert jointly hold 10%, 20%, 30% or 50% of the capital or of the voting rights of the credit institution, shall submit to the Croatian National Bank an application to acquire a qualifying holding within 30 days of the date when they became persons acting in concert. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

(16) Where an individual person or one of the persons acting in concert acquires or increases a qualifying holding by inheritance, or in another case when the person did not know, or should not have known or influence the fact that they would exceed the stated holding, the person shall submit an application for such acquisition within 30 days of the day on which the person became aware or should have become aware of such an acquisition. If they fail to do so, the Croatian National Bank shall act in accordance with Article 30 of this Act.

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

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

(19) By way of derogation from the provisions of paragraph (2) and (15) of this Article, persons for whom circumstances referred to in Article 16, paragraph (2) have been determined and who do not consider that acting in concert exists shall submit to the Croatian National Bank an application to determine the non-existence of acting in concert.

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

(21) If the Croatian National Bank refuses the application referred to in paragraph (19) of this Article, it shall determine the existence of acting in concert and:

1) the persons referred to in paragraph (2) of this Article who act in concert shall submit an application for approval to acquire a qualifying holding prior to the acquisition of a qualifying holding;

2) the persons referred to in paragraph (15) of this Article who act in concert shall submit an application to acquire a qualifying holding within 30 days of receipt of the decision of the Croatian National Bank on the existence of acting in concert.

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

Application to acquire a qualifying holding

Article 25

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

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

– criminal offences against life and limb (Title X), criminal offences against values protected under international law (Title XIII), criminal offences against sexual freedom and sexual morality (Title XIV), criminal offences against property (Title XVII), with the exception of violations of copyrights or of the rights of performing artists (Article 229), illicit use of an author's work or an artistic performance (Article 230), violations of the rights of producers of audio or video recordings and the rights related to radio broadcasting (Article 231), and violations of patent rights (Article 232), criminal offences against the payment system and the security of its operations (Title XXI), criminal offences against the authenticity of documents (Title XXIII), criminal offences against official duty (Title XXV), with the exception of failures to execute orders (Article 340) and violations of a duty to guard the state border (Article 341), under the Criminal Code (Official Gazette 110/1997, 27/1998, 50/2000, 129/2000, 51/2001, 111/2003, 190/2003, 105/2004, 84/2005, 71/2006, 110/2007, 152/2008 and 57/2011);

– a criminal offence of unauthorised use and disclosure of privileged information, a criminal offence of price manipulation and spreading of false information, a criminal offence of presentation of false data in the prospectus and its unauthorised distribution, a criminal offence of unauthorised listing of securities, a criminal offence of concealment of ownership and of illicit trade in securities under the Securities Markets Act (Official Gazette 84/2002 and 138/2006);

– a criminal offence of use, disclosure and divulging of privileged information, a criminal offence of market manipulation, a criminal offence of unauthorised provision of investment services and a criminal offence of unauthorised performance of activities of tied agents under the Act on Criminal Offences Against the Capital Market (Official Gazette 152/2008);

– crimes against humanity and human dignity (Title IX), criminal offences against life and limb (Title X), a criminal offence of violation of equality (Article 125), criminal offences against labour relations and social insurance (Title XII), criminal offences against sexual freedom (Title

XVI), a criminal offence of unauthorised manufacture of drugs and drugs trafficking (Article 190), and a criminal offence of enabling the use of drugs (Article 191), a criminal offence of destruction of or damage to public-use devices (Article 216), a criminal offence of destruction, damage or misuse of warning signs (Article 218), a criminal offence of misuse of radioactive substances (Article 219), a criminal offence of handling of generally dangerous substances (Article 220), a criminal offence of attack on an aircraft, vessel or immovable platform (Article 223), a criminal offence of endangering traffic by a dangerous act or dangerous means (Article 224), criminal offences against property (Title XXIII), criminal offences against the economy (Title XXIV), a criminal offence of computer-related forgery (Article 270), a criminal offence of computer-related fraud (Article 271), criminal offences of forgery (Title XXVI) and criminal offences against official duty (Title XXVIII), a criminal offence of assisting the perpetrator following the commission of a criminal offence (Article 303), a criminal offence of unlawful entry into, movement or residence in the Republic of Croatia, another Member State or signatory to the Schengen Agreement (Article 326), a criminal offence of criminal association (Article 328), a criminal offence of unlawful possession, making and procurement of weapons and explosive devices (Article 331), criminal offences against a foreign state or international organisation (Title XXXIII) under the Criminal Code;

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

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

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

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

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

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

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

Decision-making procedure regarding prior approval to acquire a qualifying holding

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

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

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

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

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

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

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

(8) If the Croatian National Bank receives two or more applications to acquire a qualifying holding in the same credit institution, it shall provide non-discriminatory treatment to all proposed acquirers.

Additional requests in the course of the decision-making procedure regarding prior approval to acquire a qualifying holding

Article 27

(1) In the course of a decision-making procedure, but within 50 days of submission of an application to acquire a qualifying holding, the Croatian National Bank may request in writing additional documentation referred to in Article 25, paragraph (4) of this Act.

(2) An applicant for approval to acquire a qualifying holding shall deliver the requested documentation within the time limit specified by the Croatian National Bank, which may not be longer than 20 working days. The time limit referred to in Article 26, paragraph (5) of this Act shall not run within this time limit. The Croatian National Bank may subsequently request for completion or clarification of the submitted information but such request may not extend the period referred to in Article 26, paragraph (5) of this Act. The Croatian National Bank shall acknowledge in writing the receipt of the requested documentation.

(3) By way of derogation from paragraph (2) of this Article, the Croatian National Bank may extend the time limit referred to in paragraph (2) of this Article up to 30 working days if the acquirer of a qualifying holding:

1) has its domicile or head office in a third country or is regulated in a third country; or

2) is a natural or legal person not subject to supervision and oversight pursuant to the provisions of this Act, the law governing the capital market, the law governing insurance of property and persons and the law governing open-ended investment funds with a public offering or the regulations of a Member State where the acquirer has its domicile or head office transposing Directives 2013/36/EU, 2009/65/EC, 2009/138/EC or 2004/39/EC.

Deciding on prior approval to acquire a qualifying holding

Article 28

(1) When deciding whether to grant prior approval to acquire a qualifying holding, the Croatian National Bank shall appraise the suitability and the financial soundness of the acquirer of a qualifying holding against the following criteria:

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

2) the reputation, adequacy of knowledge, skills and experience of the persons the acquirer intends to appoint to perform the function of a member of the management board in accordance with Article 35, paragraph (2) and Article 38 of this Act or of a member of the supervisory board in accordance with Article 35, paragraph (3) and Article 45 of this Act;

3) knowledge, skills and experience of any member of senior management who will direct the business of the credit institution, needed to exercise executive functions;

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

5) whether the credit institution will be able to comply and continue to comply with the provisions of this Act and Regulation (EU) No 575/2013 and, where applicable, other regulations of the European Union, in particular regulations governing the operation of financial conglomerates and regulations governing the operation of electronic money institutions, including whether the group of which it will become a part has a structure that makes it possible to exercise effective supervision, effectively exchange information among the competent

authorities and determine the allocation of responsibilities among the competent authorities;
and

6) whether there are reasonable grounds to suspect that, in connection with the acquisition, money laundering or terrorist financing, within the meaning of regulations on the prevention of money laundering and terrorist financing, is being or has been committed or attempted, or that the acquisition could increase the risk thereof.

(2) The Croatian National Bank shall neither impose prior conditions relating to the size of the holding the acquirer proposes to acquire nor examine the application for prior approval to acquire a qualifying holding in terms of the economic needs of the market.

(3) If an indirect holder of a qualifying holding submits an application for direct acquisition of a qualifying holding, when assessing the suitability and the financial soundness of the acquirer the Croatian National Bank may assess only the changes in relation to the previous assessment carried out when the indirect holding was acquired.

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

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

– the criteria against which it assesses the suitability and the financial soundness of the acquirer of a qualifying holding;

– the circumstances against which it assesses the existence of significant influence;– the manner of determining the size of the holding by an indirect acquirer

– the manner of submitting applications to acquire a qualifying holding; and

– the documentation to be enclosed with the application for prior approval to acquire a qualifying holding.

Reasons for refusal of an application to acquire a qualifying holding

Article 29

The Croatian National Bank shall refuse an application for prior approval to acquire a qualifying holding where it assesses that the suitability or the financial soundness of the acquirer of a qualifying holding does not comply with the criteria referred to in Article 28 of this Act.

Legal consequences of acquisition without approval

Article 30

(1) Where a person directly acquires a qualifying holding in a credit institution without approval of the Croatian National Bank, the Croatian National Bank shall issue a decision ordering the

person to sell the shares acquired without the necessary approval, and to submit evidence on the sale and, if known, data on the buyer.

(2) Where persons acting in concert directly acquire a qualifying holding in a credit institution without approval of the Croatian National Bank, regardless of the percentage of the holding in the credit institution held by each person and regardless of whether that individual holding is a qualifying holding, the Croatian National Bank shall issue a decision ordering the persons to sell the shares acquired without the prior approval so that their joint holding does not exceed the qualifying holding for which approval was granted. These persons shall submit evidence of the sale and, if known, data on the buyer to the Croatian National Bank.

(3) In the process of issuing a decision referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall request a statement from each acquirer. Persons acting in concert may propose individual amounts of shares to be sold that need not be proportionate to the total number of their shares.

(4) In the decision referred to in paragraph (2) of this Article, the Croatian National Bank shall order each individual acquirer to sell shares in the amount proportionate to the total number of shares they jointly hold. Exceptionally, if acquirers submit a proposal referred to in paragraph (3) of this Article, the Croatian National Bank may order each individual acquirer to sell shares in the amount which need not be proportionate to the total number of their shares.

(5) The Croatian National Bank shall, by means of the decision referred to in paragraphs (1) and (2) of this Article, set the time limit for the sale which may neither be shorter than three nor longer than nine months.

(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 and the Central Depository and Clearing Company.

(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 any rights arising from any share ordered to be sold, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general meeting shall be determined in relation to the initial capital reduced by the amount of shares on the basis of which the acquirer cannot exercise any voting rights.

(8) A credit institution shall:

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

2) from the date of receipt of the decision referred to in paragraphs (1) and (2) of this Article to the expiry of the time limits set for the sale of shares, notify the Croatian National Bank on a monthly basis of any changes of shareholders.

(9) In the dispositive part of the decisions referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall state:

1) that the dispositive part of the decisions shall be publicly disclosed; and

2) that the acquirer may not exercise any rights arising from any share ordered to be sold.

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

Voting delegate

Article 31

(1) By way of derogation from Article 30, paragraph (7) of this Act, the Croatian National Bank may appoint a voting delegate where, after the reduction of the quorum for taking valid decisions, an acquirer without approval would have the majority necessary for taking decisions of the general meeting.

(2) A voting delegate shall exercise all management rights arising from shares ordered to be sold, while proprietary rights arising from shares shall be exercised by the credit institution.

(3) The Croatian National Bank shall appoint a voting delegate by a decision.

(4) A voting delegate shall vote at the general meeting in accordance with instructions of the Croatian National Bank.

(5) The term of office of a voting delegate shall expire on the date of the sale of shares.

Revocation of approval to acquire a qualifying holding

Article 32

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

1) a holder of a qualifying holding breaches the obligations referred to in Title XXII of this Act or fails to act in accordance with a decision of the Croatian National Bank or the competent authority of another Member State responsible for supervision on a consolidated basis, ordering him to eliminate deficiencies;

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

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

4) the influence exercised by a holder of a qualifying holding operates to the detriment of the prudent and sound management of the credit institution or the holder does not act with the due diligence of a prudent businessperson.

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

Suspension of the voting rights of holders of qualifying holdings

Article 33

(1) The Croatian National Bank may suspend the voting rights at the general meeting of a holder of a qualifying holding where the influence exercised by that holder is likely to operate to the detriment of the prudent and sound management of the credit institution or it is likely that the holder would not act with the due diligence of a prudent businessperson.

(2) The suspension referred to in paragraph (1) of this Article may not exceed 12 months.

(3) The decision referred to in paragraph (1) of this Article shall be delivered to the holder of a qualifying holding and the credit institution.

(4) As of the date of enforceability of the decision referred to in paragraph (1) of this Article, the holder of a qualifying holding may not exercise any rights arising from any share for which approval of the Croatian National Bank is required, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general meeting shall be determined in relation to the initial capital reduced by the amount of shares on the basis of which the acquirer cannot exercise any voting rights.

(5) A credit institution shall ensure that the holder referred to in paragraph (1) of this Article does not exercise any rights arising from any share for which voting rights have been suspended.

(6) Article 31 of this Act may be applied where, after the reduction of the quorum for taking valid decisions, a holder of a qualifying holding whose voting rights have been suspended would have the majority necessary for taking decisions of the general meeting.

Revocation of approval to acquire a qualifying holding

Article 34

(1) If an acquirer of a qualifying holding does not acquire shares of a credit institution so as to reach or exceed a 10% holding of the capital or of the voting rights of the credit institution within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, the approval shall be revoked as a whole.

(2) If a holder of a qualifying holding receives approval to acquire a holding of the capital or of the voting rights of the credit institution in the percentage referred to in Article 24, paragraph (3) of this Act, and does not acquire the approved amount but does acquire at least 10% of the capital or of the voting rights of the credit institution within the time limit referred to in Article 24, paragraph (5) or (6) of this Act, the approval to acquire the larger amount shall be revoked.

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

Article 24, paragraph (3) of this Act which the holder of a qualifying holding holds at the time of expiry of the said time limit.

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

II.4 MANAGEMENT BOARD AND SUPERVISORY BOARD

Management board and supervisory board

Article 35

(1) A credit institution shall have a management board and a supervisory board.

(2) The members of the management board shall possess adequate collective knowledge, skills and experience required to direct the business of the credit institution independently without undue influence from other persons, and in particular to understand the credit institution's activities and the main risks.

(3) The members of the supervisory board shall possess adequate collective knowledge, skills and experience required to supervise the business of the credit institution independently without undue influence from other persons, and in particular to understand the credit institution's activities and the main risks.

(4) A credit institution shall notify the Croatian National Bank without delay, and at the latest within three working days, of the termination of the term of office of a member of the management or supervisory board and state the reasons for the termination.

Management board

Article 36

(1) The management board of a credit institution shall have at least two members who direct the business of the credit institution and represent it. One of the members of the management board shall be appointed chairperson of the management board.

(2) The management board shall direct the business of a credit institution from the territory of the Republic of Croatia.

(3) Unless provided otherwise in the Articles of Association, members of the management board of a credit institution shall jointly direct the business of the credit institution and jointly represent it.

(4) The management board of a credit institution may authorise one or more procurators to represent the credit institution, conclude contracts and perform legal acts in the name and for the account of the credit institution, which arise from the services for which the credit institution obtained authorisation from the Croatian National Bank, but they may only do so jointly with at least one member of the credit institution's management board.

(5) When entering the name of a procurator in the register of companies, the credit institution's management board shall also enter the limitations on the powers of the procurator.

(6) The conditions that procurators must fulfil, the manner in which procurators are named, the powers of procurators, and any limitations on actions that procurators may take, shall be defined in the Articles of Association of a credit institution.

(7) At least one member of the management board of a credit institution must be fluent in speaking and writing Croatian to be able to perform this function.

Employment status of management board members

Article 37

(1) The members of a credit institution's management board shall direct the business of the credit institution full time and be employed with the credit institution.

(2) Contracts pursuant to which management board members are employed with a credit institution shall contain provisions specifying that such contracts shall be terminated upon the appointment of a special administration of a credit institution, the appointment of a liquidator referred to in Article 258 of this Act or the appointment of resolution administration.

(3) A credit institution shall not pay severance pay and variable remuneration to a member of the management board whose employment is terminated pursuant to contractual provisions referred to in paragraph (2) of this Article or pursuant to Article 240 or 259 of this Act and any contractual provisions on such entitlement shall be null and void.

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

Criteria for membership in the management board of a credit institution

Article 38

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

1) they are of good repute;

2) they possess adequate knowledge, skills and experience to direct the business of a credit institution, and together with other members of the management board meet the requirements referred to in Article 35, paragraph (2) of this Act;

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

4) based on their conduct thus far it may be reasonably concluded that they will perform the duties of members of the credit institution's management board diligently and conscientiously;

5) they meet the criteria for management board members under the provisions of the act governing the operation of undertakings; and

6) they are able to commit sufficient time to perform their functions.

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

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

– the criteria for membership in the management board of a credit institution referred to in paragraph (1) of this Article and Article 35, paragraph (2) of this Act;

– the procedure for granting prior approvals;

– the documentation to be enclosed with the application for prior approval for the chairperson or member of the management board; and

– the content of the policy referred to in paragraph (2) of this Article and the frequency of assessing compliance with the criteria for management board members.

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

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

Prior approval for management board members

Article 39

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of a management board member may be appointed to the credit institution's management board.

(2) An application for the prior approval referred to in paragraph (1) of this Article shall be submitted by the credit institution's supervisory board for a term of office not exceeding five years.

(3) Exceptionally, if the competent court appoints a member of the credit institution's management board pursuant to the provisions of the Companies Act, the appointee must meet

the criteria referred to in Article 38 of this Act and may not be appointed for a period exceeding six months.

(4) The application referred to in paragraph (2) of this Article shall include evidence that the criteria referred to in Article 38 of this Act have been met, along with the management board's work programme containing projected financial statements for the term of office for which the management board member is to be appointed.

(5) The Croatian National Bank shall obtain data on judgements with final force and effect of criminal offences and misdemeanours committed in the Republic of Croatia for persons for whom the application for prior approval referred to in paragraph (1) of this Article has been submitted from the criminal history records and misdemeanour records or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act. The Croatian National Bank must provide a reasoned explanation for each request from the records.

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

(7) The Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the whole proposed term of office. Exceptionally, if it deems it justified, the Croatian National Bank may grant prior approval for a period shorter than the proposed term of office.

(8) When deciding whether to grant prior approval, the Croatian National Bank may require candidates for management board members to make a presentation detailing how they propose to direct the business of the credit institution and detailing how they propose to manage those activities falling within their personal competence.

(9) The Croatian National Bank shall decide on the prior approval referred to in paragraph (1) of this Article on the basis of:

1) the documentation referred to in paragraph (4) of this Article;

2) the presentation referred to in paragraph (8) of this Article;

3) data on judgements with final force and effect for any misdemeanours committed by the candidate for a member of a credit institution's management board in his or her career up to that moment and the warnings referred to in Article 43 of this Act; and

4) other data and information available to it.

(10) The Croatian National Bank shall refuse an application for prior approval to perform the function of a member of the credit institution's management board if it assesses:

1) that the candidate for a management board member does not meet the criteria referred to in Article 38 of this Act; or

2) that the data and information referred to in paragraph (9) of this Article suggest that the candidate for a management board member is not suitable.

(11) A person who has been granted prior approval to perform the function of a credit institution's management board member shall, before being appointed to the same office with another credit institution, obtain a new prior approval of the Croatian National Bank. The provisions of paragraphs (2) and (4) to (10) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.

(12) Where the supervisory board wishes to reappoint a person who has already obtained approval, he/she shall once again follow the procedures prescribed in this Act.

(13) The supervisory board of a credit institution shall submit an application for the prior approval referred to in paragraph (2) or (11) of this Article at least three months prior to the expiry of the term of office of an individual management board member.

(14) In cases where seats on the management board are vacated or where members of the management board are incapable of performing their functions, the supervisory board of the credit institution may appoint its members as deputy management board members on a one-time basis for a period not longer than three months without the prior approval of the Croatian National Bank.

Prior approval for the chairperson of the management board

Article 40

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of the chairperson of the management board of a credit institution may be appointed chairperson of the management board.

(2) The provisions of Articles 38 and 39 of this Act shall apply *mutatis mutandis* to prior approval to perform the function of the chairperson of the management board.

(3) When deciding whether to grant prior approval, the Croatian National Bank may require a candidate for the chairperson of the management board to make a presentation detailing how he/she proposes to direct the business of the credit institution as a whole.

Duties and responsibilities of management board members

Article 41

(1) The credit institution's management board shall ensure that the credit institution operates in compliance with:

1) professional rules and standards;

2) this Act, regulations adopted under this Act and, where applicable, other regulations of the European Union governing the operation of credit institutions; and

3) other regulations governing the operation of credit institutions.

(2) The management board shall ensure the implementation of supervisory measures imposed by the Croatian National Bank.

(3) The credit institution's management board shall establish and implement effective and sound governance arrangements in accordance with Article 101 of this Act that ensure effective and prudent management of the credit institution.

(4) For the purpose of establishing and implementing effective and sound governance arrangements, the credit institution's management board shall:

1) adopt the business policy of the credit institution;

2) approve and regularly review the credit institution's strategic objectives and the strategies and policies for risk management, including the risks arising from the macroeconomic environment in which the credit institution operates and the status of its business cycle;

3) ensure the integrity of the accounting and financial reporting systems, including financial and operational controls;

4) regularly review the process of disclosure and communications;

5) provide effective oversight of senior management; and

6) establish well-defined, transparent and consistent lines of responsibility, which will ensure clear segregation of duties and responsibilities, and prevent conflicts of interest.

(5) The credit institution's management board shall periodically, and on an annual basis at a minimum, assess the effectiveness of the credit institution's governance arrangements, including the adequacy of procedures and efficiency of control functions, document its conclusions and notify the supervisory board thereof, and take appropriate steps to address any identified deficiencies.

(6) Members of the credit institution's management board shall be jointly liable to the credit institution for damage arising as a consequence of errors of commission or omission in the performance of their duties, unless they demonstrate that in managing the credit institution they acted with the due diligence of a prudent businessperson.

Notification to the supervisory board

Article 42

(1) The credit institution's management board shall notify the credit institution's supervisory board in writing and without delay if:

1) the liquidity or solvency of the credit institution is jeopardised;

2) reasons for expiry or revocation of authorisation or for revocation of authorisation to provide individual financial services arise;

3) the credit institution's financial position changes to the extent that any of its capital ratios fall below the level laid down in Article 92, paragraph (1) of Regulation (EU) No 575/2013 or Article 228 of this Act;

4) the credit institution exceeds the limit on exposures to a single person or a group of connected clients due to the reduction of its own funds or increases its exposures in accordance with Articles 396 and 397 of Regulation (EU) No 575/2013 as a result of circumstances beyond its control; or

5) the Croatian National Bank or other supervisory authorities take measures against the credit institution within the scope of supervision or oversight.

(2) Members of the credit institution's management board shall notify the credit institution's supervisory board in writing and without delay of:

1) their appointment to or removal from the supervisory body of another legal person; and

2) legal arrangements on the basis of which management board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which management board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold.

Warning to a management board member

Article 43

(1) The Croatian National Bank shall issue a written warning to the responsible person of the credit institution's management board:

1) where the credit institution fails to fully and in a timely manner implement the actions laid down in a memorandum of understanding concluded in accordance with this Act; or

2) where the credit institution fails to fully and in a timely manner implement supervisory measures laid down in a decision of the Croatian National Bank.

(2) A written warning referred to in paragraph (1) of this Article shall be issued to the responsible person regardless of whether the person is still a member or the chairperson of the credit institution's management board at the moment of issue of the written warning.

Revocation of approval for the chairperson or a member of the management board

Article 44

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

1) where the chairperson or a member of the management board breaches the provisions of the Companies Act on the duties of the management board, resulting in the removal of the management board member;

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

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

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

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

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

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

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

(3) The Croatian National Bank may revoke legal approval to perform the function of the chairperson or a member of the credit institution's management board:

1) where the chairperson or a member of the management board fails to ensure the implementation or fails to implement supervisory measures imposed by the Croatian National Bank;

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

3) where the chairperson or a member of the management board breaches the duties of a management board member referred to in Article 42 of this Act;

4) where the credit institution that obtained the permission for an internal model does not comply with terms of the permission; or

5) where the conditions for early intervention have arisen in accordance with Article 235a of this Act.

(4) It shall be deemed that the chairperson or a member of the management board materially breaches the obligations referred to in Article 41 of this Act when this breach would jeopardise the credit institution's liquidity or solvency.

(5) In carrying out the procedure referred to in paragraphs (1) and (3) of this Article, the Croatian National Bank shall take measures of an appropriate scope and nature to verify whether there are facts and circumstances referred to in paragraphs (1) and (3) of this Article in relation to the chairperson or a member of the management board.

(6) If the Croatian National Bank revokes approval to perform the function of the chairperson or a member of a credit institution's management board, the supervisory board of the credit institution shall without delay adopt a decision to remove from office the chairperson or a member of the management board.

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

Supervisory board members

Article 45

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

1) they are of good repute;

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

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

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

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

(2) The supervisory board of a credit institution which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities and the supervisory board of a credit institution whose securities have been listed in the regulated market as defined in the law governing the capital market shall have a sufficient number of independent members.

(3) The supervisory board of a credit institution not covered by paragraph (2) of this Article shall have at least one independent member. Exceptionally, this obligation shall not apply to a credit institution which is a subsidiary of an EU parent credit institution having its head office in the RC or an RC parent credit institution.

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

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

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

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

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

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

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

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

Prior approval for supervisory board members

Article 46

(1) Only a person who has obtained prior approval from the Croatian National Bank to perform the function of a supervisory board member may be selected or appointed to the credit institution's supervisory board.

(2) An application for the prior approval referred to in paragraph (1) of this Article shall be submitted by the credit institution or its founders for a term of office not exceeding four years.

(3) Exceptionally, if the competent court appoints a member of the credit institution's supervisory board pursuant to the provisions of the Companies Act, the appointee must meet the criteria referred to in Article 45 of this Act and may not be appointed for a period exceeding six months.

(4) The application referred to in paragraph (2) of this Article shall include evidence that the criteria referred to in Article 45 of this Act have been met, along with the decision of the credit institution's general meeting on the selection of a supervisory board's member; or, if the Articles of Association provide that a particular shareholder appoints a particular number of supervisory board members, the decision of that shareholder on the appointment of a supervisory board's member.

(5) The Croatian National Bank shall obtain data on judgements with final force and effect of criminal offences and misdemeanours for persons for whom the application for prior approval referred to in paragraph (2) of this Article has been submitted from the criminal history records and misdemeanour records or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act. The Croatian National Bank must provide a reasoned explanation for each request from the records.

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

(7) The Croatian National Bank shall grant the prior approval referred to in paragraph (1) of this Article for the whole proposed term of office. Exceptionally, the Croatian National Bank may grant prior approval for a period shorter than the proposed term of office.

(8) The Croatian National Bank shall decide on the prior approval referred to in paragraph (1) of this Article on the basis of:

1) the documentation referred to in paragraph (4) of this Article;

2) data on the judgement with final force and effect for any misdemeanours committed in his or her career up to that moment; and

3) other data and information available to it.

(9) The Croatian National Bank shall refuse an application for prior approval to perform the function of a member of the credit institution's supervisory board if it assesses:

1) that the candidate for a supervisory board member does not meet the criteria referred to in Article 45 of this Act; or

2) that the data and information referred to in paragraph (8) of this Article suggest that the candidate for a supervisory board member is not suitable.

(10) A person who has been granted prior approval to perform the function of a credit institution's supervisory board member shall, before being appointed to the same office with another credit institution, obtain a new prior approval of the Croatian National Bank. The provisions of paragraphs (2) and (4) to (9) of this Article shall apply *mutatis mutandis* to the approval referred to in this paragraph.

(11) Where the general meeting or a shareholder who under the Articles of Association has the right to appoint one or more supervisory board members wishes to reappoint a person who has already obtained approval, he/she shall once again follow the procedures prescribed in this Act.

(12) A credit institution shall submit an application for the prior approval referred to in paragraph (2) or (11) of this Article at least three months prior to the expiry of the term of office of an individual supervisory board member.

Revocation of approval for supervisory board members

Article 47

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

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

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

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

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

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

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

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

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

Competence of the supervisory board

Article 48

In addition to the competence of the supervisory board under the Companies Act, the credit institution's supervisory board shall have the following competences:

1) to give approval to the management board for the credit institution's business policy;

2) to give approval to the management board for strategic objectives;

3) to give approval to the management board for the credit institution's financial plan;

4) to give approval to the management board for the strategies and policies for taking up and managing the risks, including those posed by the macroeconomic environment in which the credit institution operates in relation to the status of the business cycle;

5) to give approval to the management board for the credit institution's strategies and procedures for assessing the adequacy of internal capital;

6) to give approval to the management board for the bylaw on internal audit and the annual internal audit work plan; and

7) to adopt decisions concerning other matters laid down in this Act and regulations adopted under this Act.

Duties and responsibilities of supervisory board members

Article 49

(1) In addition to the duties and responsibilities laid down in the Companies Act, members of the supervisory board shall:

1) give opinions on the findings of the Croatian National Bank and other supervisory authorities relating to supervisory procedures and examination of the credit institution within 30 days of receipt of a report on examination findings from the Croatian National Bank or an examination report from other supervisory authorities;

2) oversee the adequacy of procedures and effectiveness of internal audit activities;

3) state their opinions on semi-annual internal audit reports; and

4) immediately notify the Croatian National Bank of the following:

– their appointment to or removal from the management or supervisory bodies of other legal persons;

– legal arrangements on the basis of which supervisory board members or their immediate family members have, directly or indirectly, acquired shares or holdings in a legal person on the basis of which the supervisory board members together with their immediate family members have acquired a qualifying holding in that legal person or on the basis of which their holdings have been reduced below the qualifying holding threshold;

5) oversee the implementation and effectiveness of the credit institution's governance arrangements;

6) oversee the implementation of the credit institution's business policy, strategic objectives and the strategies and policies for taking up and managing the risks; and

7) oversee the process of disclosure and communications.

(2) Members of the credit institution's supervisory board shall be jointly liable to the credit institution for damage arising as a consequence of errors of commission or omission in the performance of their duties, unless they demonstrate that in performing their supervisory duties in connection with the management of the credit institution they acted with the due diligence of a prudent businessperson.

Supervisory board committees

Article 50

(1) The supervisory board of a credit institution which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities shall establish a remuneration committee, a nomination committee and a risk committee.

(2) If a credit institution is not significant in terms of its size, internal organisation and the nature, scope and complexity of its activities 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.

(3) The significance of a credit institution shall be determined in accordance with the regulations adopted under paragraph (6) of this Article and Article 101, paragraph (2), items (1) and (5) of this Act.

(4) Members of a committee referred to in paragraph (1) of this Article shall be appointed from the members of the credit institution's supervisory board. Each committee shall have at least three members, one of which shall be appointed the chairperson.

(5) The Croatian National Bank may adopt subordinate legislation to further regulate the tasks and method of organisation and operation of each committee referred to in this Article, as well as the method and scope of application of the conditions for committee establishment.

Nomination committee

Article 51

The nomination committee shall:

- 1) recommend candidates for management and supervisory board members;
- 2) periodically, and at least annually, assess the structure, size, composition and performance of the management and supervisory board and, if necessary, recommend changes;
- 3) periodically, and at least annually, assess the knowledge, skills and experience of individual members of the management and supervisory board and of the management and supervisory board collectively, and report to those boards accordingly;
- 4) periodically review the policy for selection of management and supervisory board members and for appointment of senior management, make recommendations to the management and supervisory board, and, if necessary, recommend changes;
- 5) to the extent possible and on an ongoing basis, ensure that the management and supervisory board's decision making is not dominated by any one individual or small group of individuals, so as to protect the interests of the institution as a whole; and
- 6) perform other activities laid down by regulations.

Risk committee

Article 52

(1) Members of the risk committee shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the credit institution.

(2) The risk committee shall in particular:

1) advise the supervisory board on the institution's overall current and future risk appetite and strategy and assist in overseeing the implementation of that strategy by senior management. The management and supervisory board shall retain overall responsibility for risk management and monitoring;

2) review whether prices of liabilities and assets offered to clients take fully into account the institution's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the risk committee shall present a remedy plan to the management board;

3) in order to assist in the establishment and implementation of sound remuneration policies, the risk committee shall, without prejudice to the tasks of the remuneration committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and

4) perform other activities laid down by regulations.

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

(4) A credit institution shall ensure that members of the risk committee or the risk and audit committee have adequate access to information on the risk profile of the credit institution and, if necessary and appropriate, to the risk management function and to external expert advice.

(5) The risk committee or the risk and audit committee shall determine the nature, the amount, the format, and the frequency of the information on risk which it is to receive from organisational units/persons or functions within the credit institution.

Remuneration committee

Article 53

(1) The remuneration committee shall be established in such a way as to enable it to exercise competent and independent judgement on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

(2) The remuneration committee shall:

1) prepare decisions of the supervisory board regarding remuneration, including those which have implications for the risk exposures and risk management of the credit institution concerned; and

2) perform other activities laid down by regulations.

(3) When performing its activities, the remuneration committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the credit institution and the public interest.

Key function holders

Article 54

(1) A credit institution shall identify key functions in the credit institution. 'Key function holders of a credit institution' means persons whose positions give them significant influence over the direction of the credit institution, but who are not members of the management or supervisory board.

(2) A credit institution's management board shall adopt and implement appropriate policies for selecting and assessing the suitability of key function holders of the credit institution.

(3) Where a credit institution assesses that a key function holder is not suitable, it shall take appropriate measures to ensure the suitability of the key function holder.

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the content of the policy referred to in paragraph (2) of this Article, the criteria to be respected by the credit institution when assessing the suitability of key function holders of the credit institution and the frequency of assessing compliance with the criteria for key function holders.

Criteria for membership in the management and supervisory boards of a financial holding company or mixed financial holding company in the Republic of Croatia

Article 55

The provisions of Articles 38 and 45 of this Act shall apply *mutatis mutandis* to members of the management or supervisory boards of a financial holding company or mixed financial holding company which has its head office in the Republic of Croatia.

III PROVISION OF BANKING AND/OR FINANCIAL SERVICES

III.1 PROVISION OF BANKING SERVICES

Provision of banking services

Article 56

Banking services within the territory of the Republic of Croatia may be provided by:

1) credit institutions with head offices in the Republic of Croatia authorised by the Croatian National Bank to provide banking services;

2) credit institutions of the Member States that have established branches within the territory of the Republic of Croatia in accordance with this Act or have been authorised to provide banking services directly within the territory of the Republic of Croatia; and

3) branches of third-country credit institutions authorised by the Croatian National Bank to provide banking services within the territory of the Republic of Croatia.

Prohibition on the taking of deposits or other repayable funds from the public

Article 57

Persons other than those referred to in Article 56 of this Act shall be prohibited from the taking of deposits or other repayable funds from the public in the Republic of Croatia.

Actions of the Croatian National Bank in case of unauthorised taking of deposits or other repayable funds from the public

Article 58

Where, in the course of exercising the tasks within its competence, the Croatian National Bank establishes facts and circumstances indicating that deposits or other repayable funds from the public are being received by persons other than those referred to in Article 56 of this Act, it shall notify a State Attorney's Office or another supervisory authority without delay.

Prohibition on carrying out activities and providing services

Article 59

A credit institution shall not carry out as its main business activity activities other than banking or financial services for which it has been authorised by the competent authority, and ancillary services.

III.2 AUTHORISATIONS TO PROVIDE BANKING AND/OR FINANCIAL SERVICES

Authorisation

Article 60

(1) A credit institution shall receive authorisation from the Croatian National Bank to operate as a bank, a savings bank or a housing savings bank (hereinafter referred to as 'authorisation').

(2) Authorisation shall include authorisation to provide banking services.

(3) Authorisation may also include authorisation to provide core and additional financial services (hereinafter referred to as 'authorisation to provide financial services').

(4) After a credit institution obtains authorisation, it may be entered in the register of companies.

(5) By way of derogation from paragraphs (3) and (4) of this Article, a credit institution intending to provide an additional financial service referred to in Article 8, paragraph (2), item (2) of this Act for which authorisation is not required in accordance with a special law, may provide that service without obtaining authorisation to provide that additional financial service and may enter that service in the register of companies.

Subsequent authorisations

Article 61

All subsequent authorisations obtained by a credit institution pursuant to Article 60, paragraphs (2) and (3) of this Act shall be considered integral parts of the authorisation referred to in paragraph (1) of that Article.

Authorisation to provide financial services

Article 62

(1) A credit institution which has its head office in the Republic of Croatia, or a branch of a third-country credit institution, shall obtain authorisation from the Croatian National Bank to provide financial services before it may enter the financial services it intends to provide in the register of companies.

(2) The Croatian National Bank shall decide on the authorisation referred to in paragraph (1) of this Article at the same time as it decides on the authorisation of the credit institution or the authorisation of a branch of a third-country credit institution, unless the application for the authorisation referred to in this Article is submitted after the credit institution or the branch of a third-country credit institution referred to in paragraph (1) of this Article has been granted authorisation.

Other authorisations

Article 63

(1) A credit institution that merges by acquisition another credit institution having its head office within or outside the Republic of Croatia or other legal person having its head office within or outside the Republic of Croatia shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation for merger by acquisition') prior to the entry of the decision on merger by acquisition in the register of companies.

(2) A credit institution to be merged by acquisition to another credit institution having its head office within or outside the Republic of Croatia shall obtain authorisation for merger by acquisition from the Croatian National Bank.

(3) The merger by acquisition referred to in paragraphs (1) and (2) of this Article shall include the transfer of all assets and liabilities.

(4) Credit institutions may merge by formation of a new credit institution with credit institutions having their head office within or outside the Republic of Croatia or with other legal persons having their head office within or outside the Republic of Croatia provided they have obtained

authorisation from the competent authorities of all participants in the merger (hereinafter referred to as 'authorisation for merger by formation of a new credit institution having its head office within or outside the Republic of Croatia') and that the merger results in the formation of a new credit institution. Prior to the entry in the register of companies, the new credit institution having its head office in the Republic of Croatia needs to be authorised by the Croatian National Bank. On the date of the entry of the new credit institution in the register of companies or other relevant register, credit institutions participating in the merger by formation of a new credit institution having its head office within or outside the Republic of Croatia shall cease to exist and the authorisations they obtained from the competent authorities shall expire.

(5) A credit institution may be divided by transferring all its assets to two or more new credit institutions formed for that purpose, having their head office within or outside the Republic of Croatia. It shall obtain authorisation for division from the Croatian National Bank (hereinafter referred to as 'authorisation for division by formation of new credit institutions') prior to the entry of the new credit institutions in the register of companies or other relevant register. On the date of the entry of the new credit institutions in the register of companies or other relevant register, the credit institution being divided shall cease to exist and the authorisations it obtained from the Croatian National Bank shall expire.

(6) A credit institution that is divided by transferring all its assets to two or more existing credit institutions having their head office within or outside the Republic of Croatia shall obtain authorisation for division from the Croatian National Bank (hereinafter referred to as 'authorisation for division by acquisition') prior to the entry of the decision on division in the register of companies.

(7) A credit institution may split off one or more parts of its assets by transferring them to one or more new credit institutions formed for that purpose, having their head office within or outside the Republic of Croatia. It shall obtain authorisation for split-off from the Croatian National Bank (hereinafter referred to as 'authorisation for disposal by formation of one or more credit institutions') prior to the entry of the decision on split-off in the register of companies.

(8) A credit institution that splits off one or more parts of its assets by transferring them to one or more existing credit institutions having their head office within or outside the Republic of Croatia shall obtain authorisation for split-off from the Croatian National Bank (hereinafter referred to as 'authorisation for disposal by acquisition') prior to the entry of the decision on split-off in the register of companies.

(9) A credit institution that intends to transfer a portion of its assets and the same proportion of its liabilities to another credit institution having its head office within or outside the Republic of Croatia shall obtain authorisation from the Croatian National Bank before concluding such a contract.

(10) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions for and the manner of obtaining the authorisations referred to in this Article.

(11) A credit institution to be merged by acquisition to another credit institution having its head office within or outside the Republic of Croatia or to be merged by formation of a new credit institution having its head office within or outside the Republic of Croatia shall together with the authorisation referred to in paragraph (2) or (4) of this Article notify the Croatian National Bank of the manner in which it intends to protect the rights of creditors in accordance with the

law governing the operation of undertakings and of the manner and time limits for notifying depositors in accordance with the law governing deposit insurance.

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

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

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

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

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

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

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

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

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

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

Refusing applications for other authorisations

(1) The Croatian National Bank shall refuse any of the applications for authorisation referred to in Article 63, paragraphs (1) and (2) and paragraphs (4) to (9) of this Act where this could lead to the disruption of the safety and soundness of any single credit institution or of the stability of the financial system in the Republic of Croatia as a whole.

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

Application for authorisation

Article 65

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

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

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

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

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

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

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

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

(6) The Croatian National Bank shall be competent to obtain evidence regarding the legal or natural persons assessed when deciding on the application for authorisation that they have not been convicted of a misdemeanour, information on whether criminal or misdemeanour proceedings have been initiated against them, and evidence that they have not been convicted

by a judgement with final force and effect of any of the criminal and misdemeanours committed in the Republic of Croatia or criminal offences committed in a Member State from the criminal history records and misdemeanour records, based on a reasoned explanation for each request from the records, or from the European Criminal Records Information System in accordance with the law governing legal consequences of convictions, criminal records and rehabilitation, for the criminal offences referred to in Article 25, paragraph (2) of this Act.

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

Linked application decisions

Article 66

The Croatian National Bank may simultaneously decide on the following applications when issuing authorisations:

- 1) the application to acquire a qualifying holding;
- 2) the application for prior approval for the chairperson or a member of the management board and members of the supervisory board; and
- 3) the application to provide financial services referred to in Article 8 of this Act, if the credit institution submitted an application for authorisation to provide such services at the same time as submitting an application for authorisation.

Granting applications for authorisation

Article 67

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

- 1) if for a holder of a qualifying holding or, in case no legal or natural person acquires a qualifying holding, for the 20 largest acquirers of holdings in a credit institution no reasons referred to in Article 29 of this Act exist;
- 2) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by close links between the credit institution and other legal or natural persons;
- 3) if the exercise of supervision of the credit institution's operation pursuant to the provisions of this Act is not made difficult or prevented by close links between the credit institution and other legal or natural persons with head offices or domicile or normal place of residence in a third country whose regulations prevent the exercise of supervision or where there are other reasons preventing the exercise of supervision or making it difficult;

4) if the persons recommended for the chairperson or members of the management board meet the criteria referred to in Article 38 or Article 40 of this Act or if the persons recommended for supervisory board members meet the criteria referred to in Article 45 of this Act;

5) if the initial capital of the credit institution complies with Article 19 of this Act and if it is evident that the credit institution is organised in accordance with this Act or if the conditions for the operation of credit institutions laid down in this Act, regulations adopted under this Act or the regulations of the European Union governing the operation of credit institutions have been met;

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

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

8) if it is evident from the documentation and from other available information that the credit institution meets the personnel, organisational and technical requirements for the provision of banking and/or financial services in the manner and scope envisaged in its business plan; or

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

(2) When deciding on an application for authorisation, the Croatian National Bank shall not examine the application in terms of economic needs of the market.

Expiry of authorisation

Article 68

(1) Authorisation shall expire on the date:

1) of the opening of the voluntary winding-up of a credit institution;

2) of the adoption of a decision to open bankruptcy proceedings against a credit institution;

3) of the entry of a new credit institution in the register of companies, in case of a merger of credit institutions;

4) 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

5) on the date, hour and minute specified in the dispositive part of the decision to initiate the compulsory winding-up against a credit institution due to reasons laid down in Article 255, paragraph (1) item (2) of this Act.

(2) Authorisation to provide financial services and all other authorisations granted to a credit institution shall expire at the same time as the credit institution's authorisation.

Reasons for revocation of authorisation

Article 69

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

- 1) where a credit institution does not commence its activities within 12 months of the issue of authorisation;
- 2) where a credit institution submits a written notification to the Croatian National Bank stating that it no longer intends to provide the banking and/or financial services for which authorisation has been granted;
- 3) where a credit institution ceases to provide banking services for more than six months.

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

- 1) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four or Six of Regulation (EU) No 575/2013 or the own funds requirements imposed by a decision of the Croatian National Bank under Articles 224 and 228 of this Act or the specific liquidity requirements under Articles 224 and 225 of this Act;
- 2) where a credit institution can no longer be relied on to fulfil its obligations towards its creditors, and, in particular, no longer provides security for the assets entrusted to it by its depositors;
- 3) where a credit institution fails to meet internal capital requirements and other operating conditions in accordance with regulations on risk management;
- 4) where a credit institution repeatedly fails to meet reporting requirements of the Croatian National Bank in a timely and accurate manner within a three year period;
- 5) where a credit institution prevents supervision of its operation in any manner whatsoever;
- 6) where a credit institution fails to implement supervisory measures imposed by a decision of the Croatian National Bank;
- 7) where there are reasons for revocation of approval to acquire a qualifying holding referred to in Article 32 of this Act;
- 8) where a credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;
- 9) where a credit institution fails to meet the technical, organisational, personnel and other requirements for the provision of banking services;
- 10) where a credit institution fails to act in accordance with Article 151, paragraph (2), item (5) and paragraph (3), item (2) of this Act;

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

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

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

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

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

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

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

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

19) where a credit institution is exposed to the credit risk of a securitisation position without satisfying the conditions set out in Article 405 of Regulation (EU) No 575/2013;

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

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

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

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

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

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

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

Unavailability of deposits

Article 70

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

(2) The Croatian National Bank shall issue a decision referred to in paragraph (1) of this Article as soon as practicable and at the latest within five working days of establishing that the credit institution failed to repay deposits, as defined in the law governing deposit insurance, that are due and in connection to which repayment has been requested.

(3) In cases where pursuant to Article 68, paragraph (1), item (1) or (5) of this Act a credit institution's authorisation expired or where the decision on authorisation has been revoked, the Croatian National Bank may adopt a decision on the unavailability of deposits if it establishes the existence of reasons referred to in paragraph (1) of this Article.

(4) The Croatian National Bank shall without delay deliver the decision referred to in paragraph (1) of this Article to the State Agency for Deposit Insurance and Bank Resolution and to other competent and supervisory authorities and publish it in the Official Gazette.

(5) The Croatian National Bank may revoke the decision on the unavailability of deposits when the reasons referred to in paragraph (1) of this Article cease to exist.

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

Decision to revoke authorisation

Article 71

(1) The Croatian National Bank shall deliver a decision to revoke authorisation to the credit institution concerned within three days of the adoption of the decision.

(2) The Croatian National Bank shall publish a decision to revoke authorisation in the Official Gazette, deliver it to the competent commercial court and the State Agency for Deposit Insurance and Bank Resolution and issue a press release thereon.

Refusing applications for authorisation to provide individual financial services

Article 72

The Croatian National Bank may refuse an application for authorisation to provide financial services:

1) where it is evident from the documentation and other available information that the credit institution fails to meet the technical, personnel, organisational and other requirements for the provision of individual types of core and additional financial services;

2) where the Croatian National Bank has imposed supervisory measures on the credit institution and the introduction of a new service could adversely affect the implementation of these supervisory measures; or

3) where the credit institution fails to meet specific requirements for the provision of financial services laid down in any other regulation governing the provision of financial services envisaged in the credit institution's business plan.

Revocation of authorisation to provide individual financial services

Article 73

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

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

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

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

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

III.3 PROVISION OF MUTUALLY RECOGNISED SERVICES OUTSIDE THE TERRITORY OF THE REPUBLIC OF CROATIA BY CREDIT INSTITUTIONS WITH HEAD OFFICES IN THE REPUBLIC OF CROATIA

III.3.1 Provision of services within the territory of another Member State

Provision of services in another Member State

Article 74

(1) A credit institution having its head office in the Republic of Croatia or a financial institution having its head office in the Republic of Croatia that meets the conditions referred to in Article 84, paragraph (1) of this Act may, under the conditions laid down in this Act, provide mutually recognised services for which it is authorised in the Republic of Croatia through a branch or directly within the territory of another Member State.

(2) A credit institution having its head office in the Republic of Croatia may, under the conditions laid down in this Act, provide additional financial services within the territory of another Member State through a branch or directly where so permitted by the regulations of the host Member State and where authorised for the provision of such services by the Croatian National Bank.

Provision of services by a credit institution in another Member State through a branch

Article 75

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

- 1) a business plan for the first three years of business, setting out the types and the scale of services it intends to provide through the branch and the organisational structure of the branch;
- 2) the address in the host Member State from which the Croatian National Bank may obtain documentation on the branch; and
- 3) the names and addresses of natural persons who will be responsible for directing the business of the branch.

(2) A credit institution shall submit the information referred to in paragraph (1) of this Article to the Croatian National Bank in the scope laid down in Commission Delegated Regulation (EU) No 1151/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the information to be notified when exercising the right of establishment and the freedom to provide services (Text with EEA relevance) (OJ L 309/1, 30.10.2014., hereinafter referred to as 'Commission Delegated Regulation (EU) No 1151/2014') and in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 of 27 August 2014 laying down implementing technical standards with regard to standard forms, templates and procedures for notifications relating to the exercise of the right of establishment and the freedom to provide services according to Directive 2013/36/EU of the European Parliament and of the Council (Text with EEA relevance) (OJ L 254/2, 28. 8. 2014., hereinafter referred to as 'Commission Implementing Regulation (EU) No 926/2014').

(3) The Croatian National Bank may request additional documentation within 30 days of receipt of the application referred to in paragraph (1) of this Article.

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

(5) After the issuance of the authorisation referred to in paragraph (4) of this Article, the Croatian National Bank shall without delay, within the time limit of three months of the delivery date of the complete and accurate information referred to in paragraph (1) of this Article, deliver to the competent authority of the host Member State the information referred to in paragraph (1) of this Article together with the data on the amount and composition of own funds and the sum of the own funds requirements of the credit institution calculated in accordance with Article 92 of Regulation (EU) No 575/2013 in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and shall notify the credit institution accordingly.

(6) The Croatian National Bank shall refuse the credit institution's application if, on the basis of all available information, it assesses that:

1) the credit institution does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in the Member State in question through a branch;

2) the application to establish a branch represents an attempt to evade stricter rules and regulations in force in the Republic of Croatia; or

3) this could jeopardise the safety and stability of the credit institution's operation.

(7) The Croatian National Bank shall adopt subordinate legislation to further regulate the authorisation procedure referred to in paragraph (4) of this Article.

Provision of services by financial institutions in another Member State through a branch

Article 76

(1) If a financial institution whose head office is in the Republic of Croatia and which is a subsidiary of one or more credit institutions which have their head office in the Republic of Croatia meets the conditions referred to in Article 84, paragraph (1) of this Act and intends to provide mutually recognised financial services within the territory of another Member State through a branch, the parent credit institution of the said financial institution shall notify the Croatian National Bank thereof.

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

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

2) the documentation verifying compliance with the conditions referred to in Article 84, paragraph (1) of this Act;

3) data on the amount and composition of own funds or the amount of other prescribed form of capital of the financial institution and the total risk exposure amounts calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013 of the credit institution which is its parent undertaking; and

4) authorisation by the supervisory authority, where required, to establish a branch of the financial institution in another Member State.

(3) The Croatian National Bank may request additional documentation within 30 days of receipt of the notification referred to in paragraph (1) of this Article.

(4) The Croatian National Bank shall check, at the latest within 60 days of the delivery date of complete and accurate information referred to in paragraph (1) of this Article, whether the financial institution meets the conditions set out in Article 84, paragraph (1) of this Act and, if it assesses that the conditions set out in Article 84, paragraph (1) of this Act have been met, it shall supply the financial institution with a certificate of compliance through the parent credit institution, all within the set time limit of 60 days.

(5) The Croatian National Bank shall without delay deliver to the competent authority of the host Member State, within the time limit of three months of the delivery date of complete and accurate information referred to in paragraph (1) of this Article in the manner laid down in Commission Implementing Regulation (EU) No 926/2014 and a certificate of compliance, and enclose data on the amount and composition of own funds or other prescribed form of capital of the financial institution, the sum of consolidated own funds and consolidate own funds requirements of the group of credit institutions in the Republic of Croatia (hereinafter referred to as 'group of credit institutions in the RC' of which that financial institution is a member as well as data on the total risk exposure amounts of the group calculated in accordance with Article 92, paragraphs (3) and (4) of Regulation (EU) No 575/2013.

(6) The Croatian National Bank shall not deliver the notification referred to in paragraphs (4) and (5) of this Article and shall deliver a decision to refuse the delivery of the notification if, on the basis of all available information, it assesses that:

1) the financial institution does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in the Member State in question through a branch; or

2) this could jeopardise the safety and stability of the credit or financial institution's operation.

(7) By way of derogation from paragraph (1) of this Article, financial institutions that have been authorised by a competent authority in the Republic of Croatia shall, for the purpose of providing services in another Member State, be subject to the laws governing their operation.

(8) If the Croatian National Bank establishes that a financial institution no longer meets any of the conditions referred to in Article 84, paragraph (1) of this Act, it shall notify the competent authority of the home Member State without delay.

(9) The provisions of this Title shall apply *mutatis mutandis* to subsidiaries of financial institutions meeting the conditions referred to in paragraph (1) of this Article.

(10) The provisions of Articles 192 to 197 and Article 214, paragraph (1), item (1) of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

Commencement of the provision of services through a branch

Article 77

(1) A credit institution that has been authorised by the Croatian National Bank to establish a branch in another Member State may begin to provide services through a branch within the territory of another Member State:

1) from the date it receives the notification from the competent authority of the host Member State of the conditions which, in the interests of the general good, must be met when providing services in that Member State; or

2) without receipt of such notification, following the expiry of a period of two months of receipt by the competent authority of the host Member State of the notification and documentation referred to in Article 75, paragraph (1) of this Act.

(2) Where a credit institution that has been authorised by the Croatian National Bank to establish a branch in another Member State intends to establish any further branches in the same Member State, it shall notify the Croatian National Bank. The provisions of Article 75 of this Act shall not apply in such cases.

(3) The provisions of paragraph (1) of this Article shall apply *mutatis mutandis* to the financial institution referred to in Article 76 of this Act.

Changes in branch data

Article 78

(1) A credit institution that has been authorised to establish a branch in another Member State or a parent credit institution of the financial institution referred to in Article 76 of this Act that intends to subsequently change any of the data referred to in Article 76, paragraph (2) of this Act, shall, at least one month before effecting the change, notify the Croatian National Bank in order to enable the Croatian National Bank to take actions in accordance with Articles 75 and 76 of this Act, and the competent authority of the host Member State.

(2) The notification referred in paragraph (1) of this Article shall be delivered by the credit institution in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

Annulment or revocation of authorisation to establish a branch in another Member State

Article 79

(1) The Croatian National Bank shall annul authorisation to establish a branch in another Member State where a credit institution obtained authorisation to establish a branch on the basis of false or inaccurate data, which were relevant for obtaining authorisation to establish a branch.

(2) The Croatian National Bank shall revoke authorisation to establish a branch in another Member State:

1) where the branch fails to commence its operation within six months of obtaining authorisation;

2) where the competent authority of the host Member State has prohibited the credit institution from providing services within its territory; or

3) where the branch has not performed operations covered by the authorisation for more than six months.

(3) The Croatian National Bank may revoke authorisation to establish a branch in another Member State:

1) where it is established that the credit institution no longer meets the organisational, technical and personnel requirements relating to the services it provides;

2) where the credit institution fails to meet the requirements relating to insurance of deposits with the branch;

3) where the credit institution does not comply with the regulations of the host Member State in the operation of the branch; or

4) where the geographical distribution of the provision of services indicates that the credit institution uses the branch to evade stricter rules and regulations in force in the Republic of Croatia.

(4) A credit institution having its head office in the Republic of Croatia that provides services in another Member State through a branch may apply for removal of a branch from the register of companies or other relevant register kept in the host country only upon settlement of all obligations arising from the operation of the branch.

Direct provision of services in another Member State

Article 80

(1) A credit institution having its head office in the Republic of Croatia that intends to directly provide mutually recognised services within the territory of another Member State shall notify the Croatian National Bank in advance and state the Member State in which it intends to provide services directly.

(2) A credit institution having its head office in the Republic of Croatia that is a parent undertaking of a financial institution meeting the requirements referred to in Article 84, paragraph (1) of this Act and that intends to directly provide mutually recognised services

within the territory of another Member State shall notify the Croatian National Bank in advance and state the Member State in which the financial institution intends to provide services directly.

(3) Along with the notification referred to in paragraphs (1) and (2) of this Article, the credit institution shall deliver information on services it intends to provide in the Member State and the business plan for the first three years of business in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

(4) Within one month of receipt of the notification referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall deliver to the competent authority of the host Member State the notification in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014 and notify the credit institution thereof.

(5) A credit or financial institution may begin to directly provide the mutually recognised services listed in the notification referred to in paragraphs (1) and (2) of this Article from the date of receipt of a notification from the Croatian National Bank that the notification referred to in the preceding paragraph has been delivered to the competent authority of the Member State.

III.3.2 Provision of banking and/or financial services in a third country

Provision of services in a third country

Article 81

(1) A credit institution having its head office in the Republic of Croatia may provide banking and/or financial services in a third country only through a branch.

(2) Before establishing a branch in a third country, a credit institution shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a branch in a third country').

(3) A credit institution having its head office in the Republic of Croatia that intends to establish a branch in a third country shall submit an application for authorisation to the Croatian National Bank, stating the country where it intends to open the branch, and shall enclose with the application:

1) a business plan for the first three years of business, setting out the types and the scale of services it intends to provide through the branch and the organisational structure of the branch;

2) the address in the host country from which the Croatian National Bank may obtain documentation on the branch; and

3) the names and addresses of natural persons who will be responsible for directing the business of the branch.

(4) The Croatian National Bank may request additional documentation within one month of receipt of the application referred to in paragraph (3) of this Article. If the Croatian National

Bank requests additional documentation, the date of receipt of a valid application shall be deemed the delivery date.

(5) The Croatian National Bank shall decide on the application of the credit institution for the establishment of a branch within 60 days of the delivery date of a valid application.

(6) The Croatian National Bank shall refuse the application if, on the basis of the information available to it, it assesses that:

1) the credit institution intending to establish a branch does not have the appropriate organisational, technical and personnel structure or the adequate financial position to provide the planned scale of services in a third country;

2) in view of the regulations of that country or practices relating to their implementation, it is likely that the exercise of supervision in accordance with the provisions of this Act will be prevented or made difficult; or

3) the credit institution thus attempts to evade stricter rules in force in the Republic of Croatia.

(7) Where a credit institution that has been authorised by the Croatian National Bank to establish a branch in a third country intends to establish any further branches in the same country, it shall notify the Croatian National Bank. The provisions of paragraphs (1) to (6) of this Article shall not apply in such cases.

(8) Where a credit institution that has been authorised to establish a branch in a third country intends to subsequently change any of the data referred to in paragraph (3) of this Article, it shall notify the Croatian National Bank thereof at least one month before effecting the change.

(9) The Croatian National Bank shall annul authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia where the credit institution obtained authorisation to establish a branch in a third country on the basis of false or inaccurate data, which were relevant for obtaining authorisation to establish a branch.

(10) The Croatian National Bank shall revoke authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia:

1) where the competent authority of the host country has prohibited the credit institution from providing services within its territory;

2) where the branch fails to commence its operation within six months of obtaining authorisation;

3) where the branch has not performed operations covered by the authorisation for more than six months; or

4) where the branch ceases to comply with the requirements pursuant to which it was granted authorisation.

(11) The Croatian National Bank may revoke authorisation to establish a branch in a third country granted to a credit institution having its head office in the Republic of Croatia:

- 1) where it is established that the credit institution no longer meets the organisational, technical and personnel requirements relating to the services it provides;
- 2) where the credit institution fails to meet the requirements relating to insurance of deposits with the branch;
- 3) where the credit institution does not comply with the regulations of the third country in the operation of the branch; or
- 4) where the geographical distribution of the provision of services indicates that the credit institution uses the branch to evade stricter rules and regulations in force in the Republic of Croatia.

(12) A credit institution having its head office in the Republic of Croatia that provides services in a third country may apply for removal of a branch from the register of companies or other relevant register kept in that country only upon settlement of all obligations arising from the operation of the branch.

III.3.3 Establishment of representative offices outside the Republic of Croatia

Establishment of representative offices outside the Republic of Croatia

Article 82

A credit institution having its head office in the Republic of Croatia that intends to establish a representative office in a third country shall notify the Croatian National Bank thereof and state the country in which it intends to establish a representative office.

III.4 PROVISION OF MUTUALLY RECOGNISED SERVICES BY CREDIT INSTITUTIONS WITH HEAD OFFICES OUTSIDE THE REPUBLIC OF CROATIA WITHIN THE TERRITORY OF THE REPUBLIC OF CROATIA

III.4.1 The right of establishment and the freedom to provide mutually recognised services by credit institutions of the Member States

Provision of services by credit institutions of other Member States

Article 83

(1) A credit institution of another Member State may establish a branch in the Republic of Croatia and provide mutually recognised services that it is authorised to provide in the home Member State through that branch under the conditions laid down in this Act.

(2) A credit institution of a Member State may, on a temporary basis, directly provide mutually recognised services that it is authorised to provide in the home Member State within the territory of the Republic of Croatia under the conditions laid down in this Act.

Provision of mutually recognised financial services by financial institutions of the Member States

Article 84

(1) A financial institution of another Member State may provide those mutually recognised services referred to in Article 9, paragraph (1), item (2) of this Act that it is authorised to provide in the home Member State through a branch or, on a temporary basis, directly within the territory of the Republic of Croatia, provided that the following conditions are met:

1) its parent undertaking is one or more credit institutions with head offices in a Member State that have been authorised by the competent authority;

2) it provides recognised financial services in the home Member State pursuant to its Articles of Association or another legal act;

3) it actually provides financial services in that Member State;

4) the parent credit institution or institutions hold 90% or more of the voting rights in the financial institution;

5) its parent credit institutions have satisfied the competent authorities of the home Member State regarding the prudent management of the institution and, with the consent of the relevant supervisory authorities, jointly guarantee the commitments entered into by the financial institution; and

6) the financial institution is effectively included in the consolidated supervision of the parent credit institution, or of each of the parent credit institutions, in accordance with Title XXII of this Act and Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013, in particular for the purposes of calculating the own funds requirements set out in Article 92 of Regulation (EU) No 575/2013, for the control of large exposures provided for in Part Four of Regulation (EU) No 575/2013 and for the purposes of the limitation of qualifying holdings outside the financial sector provided for in Articles 89 and 90 of Regulation (EU) No 575/2013.

(2) The provisions of this Title shall apply *mutatis mutandis* to subsidiaries of financial institutions meeting the conditions referred to in paragraph (1) of this Article.

(3) The provisions of Article 10, Articles 192 to 198 and Article 214, paragraph (1), item (1) of this Act shall apply *mutatis mutandis* to financial institutions referred to in paragraph (1) of this Article.

Providing services through a branch in the Republic of Croatia

Article 85

(1) A credit institution of another Member State or the financial institution referred to in Article 84 of this Act that intends to establish a branch within the territory of the Republic of Croatia may submit an application to enter the branch in the register of companies and begin to provide services following the expiry of a period of two months of receipt by the Croatian National Bank of the notification from the competent authority of the home Member State in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014.

(2) By way of derogation from paragraph (1) of this Article, the credit institution from another Member State or the financial institution referred to in Article 84 of this Act may submit an application to enter the branch even before the expiry of the time limit referred to in paragraph (1) of this Article if it received from the Croatian National Bank a notification of the conditions which, in the interests of the general good, it must meet when providing services within the territory of the Republic of Croatia.

(3) A credit or financial institution referred to in paragraph (1) of this Article that intends to subsequently change any of the data delivered to the competent authority of the home Member State, shall, in the scope laid down in the Commission Delegated Regulation (EU) No 1151/2014 and in the manner laid down in the Commission Implementing Regulation (EU) No 926/2014, notify the Croatian National Bank at least one month before effecting the change.

(4) If a competent authority of the home Member State notifies the Croatian National Bank that the financial institution does not meet any of the conditions referred to in Article 84, paragraph (1) of this Act, the regulations governing the operation of financial institutions in the Republic of Croatia shall apply to the operation of the financial institution. In this case, the Croatian National Bank shall forward the notification in question to the supervisory authority in the Republic of Croatia.

Insurance of deposits with branches of credit institutions of other Member States

Article 86

Deleted.

Direct provision of services in the Republic of Croatia

Article 87

A credit institution of another Member State or the financial institution referred to in Article 84 of this Act may begin to directly provide mutually recognised services within the territory of the Republic of Croatia on the date of receipt by the Croatian National Bank of the notification from the competent authority of that Member State, including a list of services it intends to provide within the territory of the Republic of Croatia.

Application of other provisions of this Act and other regulations to credit institutions of other Member States

Article 88

(1) The provisions of this Act and of regulations adopted under this Act relating to credit institutions shall apply *mutatis mutandis* to credit institutions from other Member States providing mutually recognised services directly within the territory of the Republic of Croatia, in particular the ones relating to:

- 1) the obligation of banking secrecy (Articles 156 to 158);
- 2) supervision of credit institutions;

3) consumer protection (Articles 300 to 312).

(2) The provisions of this Act and of regulations adopted under this Act relating to credit institutions shall apply *mutatis mutandis* to branches of credit institutions from other Member States providing mutually recognised services within the territory of the Republic of Croatia, in particular the ones relating to:

1) sale of placements (Article 150, paragraphs (5) and (8));

2) reporting at the request of the Croatian National Bank (Article 153);

3) the obligation of banking secrecy (Articles 156 to 158);

4) supervision of credit institutions;

5) annual supervision fees (Article 200); and

6) consumer protection (Articles 300 to 312).

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

III.4.2 Branches of third-country credit institutions

Provision of services through branches of third-country credit institutions

Article 89

(1) A third-country credit institution (founder) may provide banking and/or financial services within the territory of the Republic of Croatia only through a branch, provided it is authorised to provide such services in the third country.

(2) A third-country credit institution (founder) intending to establish a branch within the territory of the Republic of Croatia shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a branch of a third-country credit institution').

(3) The authorisation referred to in paragraph (2) of this Article shall contain a list of services that branches of third-country credit institutions may provide within the territory of the Republic of Croatia.

(4) Branches of third-country credit institutions may be entered in the register of companies after obtaining authorisation from the Croatian National Bank.

(5) A third-country credit institution (founder) may establish only one branch within the territory of the Republic of Croatia. If a third-country credit institution (founder) wishes to operate in more than one location within the territory of the Republic of Croatia, it may open one or more organisational units.

Establishment of branches of third-country credit institutions

Article 90

(1) Applicants for authorisation to establish a branch of a third-country credit institution in the Republic of Croatia shall enclose with their application:

1) a certificate from the register of companies or other relevant register in the country where the third-country credit institution (founder) has its head office, not older than three months, indicating its legal form, date of the entry in the register, persons authorised to represent it and the scope of their powers or, if the credit institution is established in a country that does not keep such a register, legally valid documents on establishment certified in accordance with the regulations of the country where the credit institution has its head office, indicating its legal form, date of establishment, persons authorised to represent it and the scope of their powers;

2) the decision of the third-country credit institution (founder) to establish a branch;

3) a copy of the deed of establishment, memorandum or Articles of Association of the third-country credit institution (founder), certified in accordance with the regulations of the country where the credit institution has its head office;

4) data on the members of management and supervisory bodies of the third-country credit institution (founder);

5) an application for prior approval for persons who will be responsible for directing the business of the branch of the third-country credit institution;

6) audit reports of the third-country credit institution (founder) for the three preceding years of business;

7) a credible document indicating the owners of the institution and their rights in managing the third-country credit institution (founder);

8) a certificate from the register of companies or other relevant register in the country where legal persons who are holders of qualifying holdings in the third-country credit institution (founder) have their head office, including a list of natural persons who are the ultimate shareholders of these legal persons;

9) authorisation to provide banking and financial services granted to the third-country credit institution (founder) by the competent authority;

10) a list of banking and financial services the branch of the third-country credit institution intends to provide in the Republic of Croatia and a business plan for the first three years of business;

11) a relevant legal act of the competent authority in the Republic of Croatia where so required by the regulations governing the provision of financial services envisaged in the business plan referred to in item (10) of this paragraph;

12) a list of persons connected with the third-country credit institution (founder) in the manner referred to in Article 16 of this Act;

13) authorisation by the competent authority of the third-country credit institution (founder) to establish the branch or a statement by the authority in question that such authorisation is not required under the regulations of the country where the credit institution has its head office, not older than six months;

14) a statement by the third-country credit institution (founder) that the branch will keep all documentation relating to its business in the Croatian language and store it at the headquarters of the branch and will prepare financial statements in accordance with this Act or regulations adopted under this Act, and the regulations of the European Union governing the operation of credit institutions; and

15) information on the deposit insurance scheme of which the third-country credit institution (founder) is a member.

(2) The Croatian National Bank may request additional information and documentation within one month of receipt of the application referred to in paragraph (1) of this Article. If the Croatian National Bank requests additional information or documentation, the date of receipt of a valid application shall be deemed the delivery date.

(3) The provisions of Articles 36 to 40 and Article 44 of this Act and the regulations of the European Union governing the operation of credit institutions, in the part related to the rights and obligations of management board members, shall apply *mutatis mutandis* to the procedure for granting, annulment and revocation of prior approvals for persons who will be responsible for directing the business of a branch of a third-country credit institution.

(4) The Croatian National Bank shall refuse an application to establish a branch of a third-country credit institution if:

1) based on the data available to it and the documentation enclosed with the application, it assesses that the third-country credit institution (founder) does not have the adequate financial position or the appropriate organisational, technical and personnel structure to operate in accordance with the provisions of this Act and the regulations of the European Union governing the operation of credit institutions through a branch it intends to establish;

2) in view of the regulations of the country where the third-country credit institution (founder) has its head office or practices relating to their implementation, it is likely that the exercise of supervision in accordance with the provisions of this Act will be made difficult or prevented;

3) it assesses that the person responsible for directing the business of the branch of the third-country credit institution does not meet the criteria for members of the credit institution's management board prescribed in Article 38 of this Act or the regulations of the European Union governing the operation of credit institutions, in the part related to the rights and obligations of management board members;

4) the third country in which the credit institution has its head office has no regulations preventing money laundering and/or if these regulations do not provide for effective supervision of the prevention of money laundering and if the third-country credit institution (founder) or

persons referred to in paragraph (1), item (8) of this Article are, in any way whatsoever, connected with money laundering or terrorist financing or there are indications of it;

5) the Croatian National Bank has not concluded a cooperation agreement regarding supervision with the competent authority of the third country in which the credit institution that is the founder of the branch has its head office; or

6) credit institutions with head offices in the Republic of Croatia are not provided at least the same conditions for establishment of a branch in the country where the third-country credit institution (founder) has its head office as are provided to the third-country credit institution (founder) in the Republic of Croatia.

(5) The Croatian National Bank shall grant authorisation to establish a branch of a third-country credit institution under the condition that the third-country credit institution places a deposit of not less than HRK 40 million in the account with a credit institution which has its head office in the Republic of Croatia. The funds deposited shall be held in the account until the entry of the branch of the third-country credit institution (founder) in the register of companies, at which time they shall be transferred to the settlement account of the branch held with the Croatian National Bank. The funds shall be deemed to be own funds within the meaning of this Act.

(6) A third-country credit institution (founder) may increase the amount of own funds referred to in the preceding paragraph of this Article. The own funds increase may be effected only by payment in cash to the account of the branch held in the Republic of Croatia.

(7) Where a third-country credit institution (founder) intends to begin to provide other services that are not covered by the authorisation to establish a branch of the third-country credit institution within the territory of the Republic of Croatia, it shall apply to the Croatian National Bank for authorisation to provide such services.

(8) In connection with the authorisation referred to in paragraph (7) of this Article, the third-country credit institution (founder) shall deliver the documentation referred to in paragraph (1), items (9) and (10) and paragraph (2) of this Article. The provisions of paragraph (4) of this Article shall apply *mutatis mutandis*.

Dissolution of branches of third-country credit institutions

Article 91

(1) Authorisation to establish a branch of a third-country credit institution shall expire:

1) where the competent authority revoked or annulled the third-country credit institution's (founder's) authorisation, as of the date of revocation or annulment of authorisation;

2) where the third-country credit institution (founder) ceases to exist in the country where it has its head office or under the regulations of that country loses its business capacity, or the competent court removes the third-country credit institution (founder) from the register of companies or other relevant register, or the institution loses the right to dispose of its assets, as of the date when one of the reasons arises;

3) where the third-country credit institution (founder) adopted a decision on winding-up of the branch;

4) where the Croatian National Bank adopted a decision on the compulsory winding-up of the branch of the third-country credit institution; or

5) where a competent court adopted a decision to open bankruptcy proceedings against the branch of the third-country credit institution.

(2) The Croatian National Bank shall annul authorisation to establish a branch of a third-country credit institution (founder) where the credit institution obtained authorisation to establish a branch on the basis of false or inaccurate data, which were relevant for obtaining authorisation to establish a branch.

(3) The Croatian National Bank shall revoke authorisation to establish a branch of a third-country credit institution (founder):

1) where conditions for refusal of the application for authorisation referred to in Article 90, paragraph (4), items (1), (2), (3) and (6) of this Act arise;

2) where the branch of the third-country credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;

3) where the branch of the third-country credit institution does not commence its activities within six months of the issue of authorisation;

4) where the branch of the third-country credit institution ceases to operate for more than six months;

5) where the branch of the third-country credit institution does not operate in accordance with applicable regulations of the Republic of Croatia and regulations of the European Union governing the operation of credit institutions; or

6) where the branch of the third-country credit institution fails to meet its financial obligations in the Republic of Croatia.

(4) Where the competent authority of a third-country credit institution (founder) annuls or revokes authorisation to provide a certain financial service, the credit institution shall notify the Croatian National Bank thereof. The Croatian National Bank shall annul or revoke authorisation of a branch of a third-country credit institution to provide such service within the territory of the Republic of Croatia.

(5) The Croatian National Bank may order a branch of a third-country credit institution whose assets and contingent liabilities reported in its audited annual financial statements exceed 5% of total assets and contingent liabilities of all credit institutions in the Republic of Croatia to continue its operation in the Republic of Croatia as a credit institution.

(6) A third-country credit institution (founder) may apply for removal of a branch of the third-country credit institution from the register of companies only upon settlement of all obligations arising from the operation of the branch.

Application of other provisions of this Act to branches of third-country credit institutions

Article 92

(1) The provisions of this Act and regulations adopted under this Act and the provisions of Regulation (EU) No 575/2013 relating to the following shall apply *mutatis mutandis* to branches of third-country credit institutions:

- 1) the credit institution's management board (Articles 36 to 44);
- 2) governance arrangements (Articles 98 to 100);
- 3) risk management system (Articles 101 to 103);
- 4) internal control systems (Articles 104 to 108);
- 5) outsourcing of business activities (Articles 109 to 111);
- 6) capital adequacy (Articles 112 to 115);
- 7) capital buffers and capital conservation measures (Articles 116 to 144);
- 8) approvals for exposures (Articles 145 to 147);
- 9) specific conditions for holdings of tangible assets and capital of other legal persons (Articles 148 and 149);
- 10) sale of placements (Article 150);
- 11) reporting to the Croatian National Bank (Articles 151 to 154);
- 12) banking secrecy (Articles 156 to 158);
- 13) business books and financial statements (Articles 159 to 164);
- 14) public disclosure (Articles 165 to 167);
- 15) external audit (Articles 168 to 174);
- 16) supervision of credit institutions (Articles 175 to 190 and Articles 199 and 200);
- 17) supervisory measures (Articles 217 to 234);
- 18) dissolution and reorganisation (Articles 246 to 249, Articles 263 and 276 and Articles 345 to 357);
- 19) consumer protection (Articles 300 to 312);
- 20) the decision-making procedures of the Croatian National Bank (Articles 322 to 328); and

21) misdemeanours (Articles 360 to 367).

(2) The provisions of Regulation (EU) No 575/2012 and regulations adopted under that Regulation shall apply *mutatis mutandis* to branches of third-country credit institutions.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the provisions on the establishment, operation, reporting to the Croatian National Bank, and dissolution of branches of third-country credit institutions together with the manner of application of the provisions of paragraph (1) of this Article to branches of third-country credit institutions.

Insurance of deposits with branches of third-country credit institutions

Article 93

(1) A third-country credit institution (founder) shall be required to insure deposits with its branches operating within the territory of the Republic of Croatia in its home country.

(2) The scope and level of coverage for deposits with branches of third-country credit institutions shall not exceed the scope and level laid down in deposit insurance regulations in the Republic of Croatia.

(3) Where there is no deposit insurance scheme in the country where the credit institution has its head office or if the scope and/or level of coverage for deposits are lower than in the Republic of Croatia, a branch of a third-country credit institution shall join the deposit insurance scheme in the Republic of Croatia.

III 4.3 Representative offices of third-country credit institutions

Authorisation to establish a representative office of a third-country credit institution

Article 94

(1) Before establishing a representative office in the Republic of Croatia, a third-country credit institution shall obtain authorisation from the Croatian National Bank (hereinafter referred to as 'authorisation to establish a representative office of a third-country credit institution').

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

1) a certificate from the register of companies or other relevant register where the credit institution is entered, not older than three months, indicating its legal form, date of the entry in the register, persons authorised to represent it and the scope of their powers or, if the credit institution is established in a country that does not keep such a register, legally valid documents on establishment certified in accordance with the regulations of the country where the credit institution has its head office, indicating its legal form, date of establishment, persons authorised to represent it and the scope of their powers;

- 2) a copy of the deed of establishment, memorandum or Articles of Association of the third-country credit institution, certified in accordance with the regulations of the country where the credit institution has its head office;
- 3) audit report, including audited financial statements, of the third-country credit institution for the three preceding years of business;
- 4) the decision of the third-country credit institution to establish a representative office;
- 5) data on the headquarters (address) of the representative office and its business premises;
- 6) authorisation by the competent authority of the third-country credit institution to establish a representative office in the Republic of Croatia or a statement by the authority in question that such authorisation is not required;
- 7) a certified statement by the third-country credit institution that it will settle all liabilities arising in the Republic of Croatia as a result of the activities of the representative office;
- 8) evidence of payment of all administrative fees; and
- 9) a list of persons responsible for directing the business of the representative office.

(3) The Croatian National Bank shall refuse an application to establish a representative office of a third-country credit institution within 60 days of receipt of the valid application if it establishes that:

1) cooperation between the competent authority of the third-country credit institution and the Croatian National Bank is not possible; and

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

(4) After the date of enforceability of authorisation to establish a representative office a third-country credit institution, the Croatian National Bank shall enter the representative office in the register of representative offices of credit institutions in the Republic of Croatia.

(5) Where a representative office of a third-country credit institution acts contrary to the regulations of the Republic of Croatia, the Croatian National Bank may revoke authorisation to establish a representative office of the third-country credit institution.

(6) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions for the establishment and operation of representative offices of third-country credit institutions.

Register of representative offices of credit institutions in the Republic of Croatia

Article 95

(1) The Croatian National Bank shall keep the register of representative offices of credit institutions in the Republic of Croatia.

(2) The Croatian National Bank may prescribe the manner in which the register of representative offices of credit institutions is to be kept and the manner in which data from the register is to be published.

IV SCOPE OF APPLICATION OF PRUDENTIAL REQUIREMENTS

Compliance with requirements on an individual basis

Article 96

(1) Credit institutions with head offices in the Republic of Croatia shall comply with the following requirements on an individual basis:

- 1) governance arrangements referred to in Article 101 of this Act;
- 2) capital adequacy referred to in Article 112 of this Act and strategies and procedures to assess the adequacy of internal capital referred to in Article 113 of this Act;
- 3) a capital conservation buffer referred to in Article 117 of this Act;
- 4) a countercyclical capital buffer referred to in Article 118 of this Act;
- 5) a structural systemic risk buffer referred to in Article 130 of this Act, in the manner referred to in Article 139 of this Act;
- 6) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act;
- 7) holdings of tangible assets referred to in Article 148 of this Act; and
- 8) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank.

(2) By way of derogation from paragraph (1), item (2) of this Article, a credit institution which is included in a group of credit institutions in the Republic of Croatia need not meet these requirements on an individual basis, provided that in the Republic of Croatia it has a status of:

- 1) a parent credit institution;
- 2) a credit institution which is a subsidiary of a parent credit institution with a head office in the Republic of Croatia, a parent financial holding company in a group of credit institutions in the Republic of Croatia or a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia.

(3) The obligation referred to in paragraph (1), item (2) of this Article shall also apply to a credit institution that is under Article 19 of Regulation (EU) No 575/2013 excluded from a group of credit institutions in the RC.

Compliance with requirements on a consolidated basis

Article 97

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall respectively comply with the following requirements on a consolidated basis for its group of credit institutions in the RC:

1) governance arrangements referred to in Article 101 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;

2) capital adequacy referred to in Article 112 of this Act and strategies and procedures to assess the adequacy of internal capital referred to in Article 113 of this Act, in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of Regulation (EU) No 575/2013;

3) preparation and delivery of financial statements and other reports for the purposes of the Croatian National Bank;

4) a capital conservation buffer referred to in Article 117 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;

5) a countercyclical capital buffer referred to in Article 118 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013;

6) a structural systemic risk buffer referred to in Article 130 of this Act, in accordance with Part One, Title II of Regulation (EU) No 575/2013, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act;

7) an G-SII buffer referred to in Article 135 of this Act, in the manner referred to in Article 139 of this Act;

8) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act; and

9) holdings of tangible assets referred to in Article 148 of this Act.

(2) A credit institution which has its head office in the Republic of Croatia and is a subsidiary of a parent financial holding company or parent mixed financial holding company pursuant to Article 278 of this Act shall comply with the requirements referred to in paragraph (1) of this Article on a consolidated basis for its group of credit institutions in the Republic of Croatia. Where several credit institutions in the Republic of Croatia are subsidiaries of the same parent financial holding company or the same parent mixed financial holding company, the requirements referred to in paragraph (1) of this Article shall relate to the credit institution with the largest balance sheet total.

(3) A parent credit institution shall comply with the following requirements on a sub-consolidated basis for its group of credit institutions in the RC:

1) governance arrangements referred to in Article 101 of this Act;

2) a structural systemic risk buffer referred to in Article 130 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act; and

3) an O-SII buffer referred to in Article 137 of this Act, in the manner referred to in Article 139 of this Act, if so defined in subordinate legislation adopted under Article 129, paragraph (1) or Article 138, paragraph (5) of this Act;

(4) Where a subsidiary credit institution, a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia or a parent financial holding company in a group of credit institutions in the Republic of Croatia is a parent of or holds a participation in another credit or financial institution, an UCITS management company or a pension company with a head office in a third country, it shall comply with the requirements referred to in paragraph (1), item (2) of this Article on a sub-consolidated basis.

(5) A parent credit institution in a group of credit institutions in the Republic of Croatia, 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 Republic of Croatia shall comply with the requirements on governance arrangements referred to in Article 101 of this Act on a consolidated or sub-consolidated basis, in order to ensure that the organisational structure, procedures and systems within the group of credit institutions are consistent and well-integrated and enable the collection of any data and information relevant for the purposes of supervision.

(6) A parent credit institution in a group of credit institutions in the Republic of Croatia, 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 Republic of Croatia shall ensure that the organisational structure, procedures and systems referred to in paragraph (5) of this Article be established in their third-country subsidiaries so as to enable these subsidiaries to collect any data and information relevant for the purposes of supervision.

(7) By way of derogation from paragraph (6) 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 Republic of Croatia if they can demonstrate to the Croatian National Bank that the application of these requirements would be unlawful under the laws of the third country where the subsidiary is established.

V GOVERNANCE ARRANGEMENTS

V.1 GENERAL PROVISIONS

Liquidity principle and solvency principle

Article 98

A credit institution shall operate so as to be able to meet its due and payable financial obligations at all times (liquidity principle) as well as to meet all of its obligations on an ongoing basis (solvency principle).

Prohibition on profit distribution

Article 99

(1) A credit institution shall not make advance profit or dividend payments, pay out profits or dividends or make payments deriving from the participation of its management board, supervisory board or employees in the profits of the credit institution in the following cases:

1) where the credit institution's own funds are below the initial capital referred to in Article 19 of this Act;

2) where the credit institution fails to settle its due obligations in a timely manner or where payment of profit would render it unable to settle its due obligations;

3) where the Croatian National Bank orders the credit institution to eliminate weaknesses and deficiencies related to the misstatement of any on- and off-balance sheet items whose correct statement would affect the presentation of business results in the credit institution's profit and loss account; or

4) where the Croatian National Bank so orders in its decision in the light of the manner in which the credit institution manages the risks to which it is or might be exposed in its operation.

(2) The prohibitions referred to in paragraph (1) of this Article shall apply:

1) in cases referred to in paragraph (1), item (1) of this Article, until the credit institution reaches the adequate capital level;

2) in cases referred to in paragraph (1), item (2) of this Article, until the credit institution eliminates liquidity disruptions;

3) in cases referred to in paragraph (1), item (3) of this Article, until the credit institution eliminates all weaknesses and deficiencies in the presentation of items, unless correct presentation gives rise to reasons for the prohibition referred to in paragraph (1), items (1) and (2) of this Article; and

4) in cases referred to in paragraph (1), item (4) of this Article, for the duration of the time limits or until the credit institution complies with the measures laid down in the decision.

Payment of variable remuneration

Article 100

A credit institution that contracts the payment of variable remuneration contrary to the provisions of this Act or the provisions of subordinate legislation adopted under Article 101, paragraph (2), item (5) of this Act may not pay the contracted variable remuneration and such contractual provisions shall be null and void.

V.2 GOVERNANCE ARRANGEMENTS

Governance arrangements

Article 101

(1) A credit institution shall establish and implement effective and sound governance arrangements that are proportionate to the nature, scale and complexity of its activities and the risks inherent in its business model, including:

- 1) a clear organisational structure with well-defined, transparent and consistent lines of responsibility and accountability within the credit institution, established so as to avoid conflicts of interest;
- 2) effective management of all risks to which the credit institution is or might be exposed in its operation;
- 3) adequate internal control systems, including sound administrative and accounting procedures;
- 4) remuneration policies that are consistent with and promote sound and effective risk management; and
- 5) recovery plans.

(2) The Croatian National Bank may adopt subordinate legislation to further specify the requirements on governance arrangements, in particular:

1) regarding risk management rules:

- general risk management rules;
- credit risk management rules;
- rules for the management of market risks;
- standard interest rate shock, the method of calculating the credit institution's economic value, reporting to the Croatian National Bank and other procedures and principles to manage interest rate risk in the non-trading book;
- the method of calculating liquidity positions and liquidity risk management rules;
- operational risk management rules;
- rules on information system management and management of risks arising from the use of the information system;
- rules for the management of other risks;

2) regarding monitoring of credit risk-bearing portfolios:

- the criteria for the classification of placements and off-balance sheet liabilities on the basis of which a credit institution is exposed to credit risk;
 - the method of determining losses arising from credit risk;
 - the method of determining value adjustments, impairment of on-balance sheet items and provisions for off-balance sheet items;
 - rating of instruments of collateral for receivables; and
 - keeping of credit records;
- 3) regarding the calculation of large exposures, defining the criteria for links:
- 4) provisions for litigation costs and legal risk;
- 5) the rules, procedures and criteria regarding remuneration policies, and in particular:
- the definition of employee remuneration;
 - requirements regarding employee remuneration and the method and scope of their implementation; and
 - the method of and time limits for reporting to the Croatian National Bank on employee remuneration;
- 6) regarding limits on holdings of tangible assets:
- the method of assessing and including individual holdings in the calculation of limits on holdings of tangible assets;
 - the method of calculating limits on holdings;
 - the method of and time limits for reporting to the Croatian National Bank;
- 7) regarding reporting to the Croatian National Bank:
- contents of reports and notifications;
 - time limits for and the method of reporting;
- 8) the method and scope of application of the requirements related to recovery plans and the content of such plans and the method of and time limits for their submission.
- (3) The Croatian National Bank may adopt subordinate legislation to further regulate the allocation of reserves for general banking risks, the method of calculating individual and all open positions and of the largest permitted difference between these positions, and limits determining special conditions for the operation of credit institutions.

V.2.1 ORGANISATIONAL STRUCTURE

Organisational structure

Article 102

(1) A credit institution has established a clear organisational structure with well-defined, transparent and consistent lines of responsibility and accountability within the credit institution, established so as to avoid conflicts of interest where it:

1) enables an effective communication and cooperation at all organisational levels, including an appropriate information flow within the credit institution;

2) limits and prevents conflicts of interest; and

3) provides for a transparent and documented decision-making process.

(2) A credit institution shall in a timely manner identify the areas of operation which may give rise to potential conflicts of interest and it shall ensure that any form of conflict of interest is adequately prevented.

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

V.2.2 RISK MANAGEMENT

Risk management

Article 103

(1) For the purposes of this Act, 'risk management' means a set of procedures and methods to identify, measure, evaluate, contain and monitor risks, including reporting on the risks to which a credit institution is or might be exposed in its operation.

(2) The risk management system of a credit institution shall cover credit risk, concentration risk, securitisation risks, residual risk, market risks, operational risk, liquidity risk, interest rate risk in the non-trading book, risk of excessive leverage and other risks to which the credit institution is or might be exposed in its operation.

(3) A credit institution shall ensure that adequate resources are allocated to the management of all material risks, including an adequate number of employees possessing the necessary knowledge and experience to be involved in risk management, and for the valuation of assets, the use of external credit ratings and internal models related to those risks.

(4) A credit institution shall establish adequate reporting lines to the management and supervisory board that cover all material risks and risk management policies and changes thereof.

(5) In order to consistently apply risk management strategies and policies, a credit institution shall establish and apply consistently over time adequate internal control systems, including sound administrative, accounting and other procedures, in particular for:

- 1) calculating and monitoring capital requirements in relation to these risks; and
- 2) identifying and monitoring large exposures and subsequent changes to them, and for that of monitoring those exposures in the light of each credit institution's own exposure policies.

V.2.3 INTERNAL CONTROL SYSTEM

Internal control system

Article 104

(1) 'Internal control system' means a group of processes and procedures established for adequate risk control, monitoring the efficiency and effectiveness of a credit institution's operation, reliability of its financial and other information, and compliance with regulations, internal bylaws, standards and codes in order to ensure the stability of the credit institution's operation.

(2) A credit institution shall establish and implement effective internal control systems in all areas of operation including at a minimum:

- 1) an appropriate organisational structure;
- 2) organisational culture;
- 3) establishment of the credit institution's control functions;
- 4) adequate control activities and the allocation of responsibilities;
- 5) appropriate internal controls integrated into the business processes and activities of the credit institution; and
- 6) appropriate administrative and accounting procedures.

Control functions

Article 105

(1) A credit institution shall establish three control functions:

- 1) a risk control function,
- 2) a compliance function, and
- 3) an internal audit function.

(2) The management board of a credit institution shall adopt an internal bylaw on each control function, subject to the prior approval of the supervisory board.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the content of an internal bylaw on each control function, the criteria to be met by the persons carrying out control function activities, the content and frequency of control function reports,

the persons to whom such reports are delivered, the scope and method of operation of each individual function referred to in paragraph (1) of this Article, as well as the method in which a credit institution's management board reviews the appropriateness and effectiveness of the control functions in accordance with Article 41, paragraph (5) of this Act.

Organisational structure of control functions

Article 106

- (1) A credit institution shall 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.
- (2) No individual control function may be organised within other control functions.
- (3) By way of derogation from paragraph (2) of this Article, a credit institution may organise the performance of activities of the compliance function within the risk control function or a support function if this is appropriate to its size and the nature, scale and complexity of its activities, but activities of this function may not be organised within the internal audit function.
- (4) A credit institution shall 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.
- (5) A credit institution shall 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.
- (6) A credit institution shall establish control functions in a manner to avoid conflicts of interest.
- (7) A credit institution may not fully outsource its control functions. A credit institution may entrust the performance of a part of activities related to the control functions to service providers in accordance with this Title and regulations adopted under this Act.

Persons carrying out control functions

Article 107

- (1) A credit institution shall, proportionally to its size and the nature, scale and complexity of its activities, for the carrying out of each control function ensure a sufficient number of persons with adequate knowledge and experience.
- (2) Where several persons are entrusted with the performance of a certain control function, a person responsible for the operation of the control function as a whole shall be appointed.
- (3) A credit institution's management board may neither appoint nor remove a person responsible for the operation of a control function without approval of the credit institution's supervisory board.

(4) A credit institution shall notify the Croatian National Bank without delay, and at the latest within three working days, of the appointment of persons responsible for the operation of each control function and of the reasons for their removal.

(5) A person responsible for the operation of a control function shall report directly to the management board and the supervisory board, as well as the audit committee, and/or another relevant committee established by the supervisory board. Authorities and bodies to which the person responsible for the operation of a control function reports directly shall ensure that this person participates in the meetings of these authorities and bodies at which the person's reports are discussed, and on an annual basis at a minimum.

(6) Credit institutions shall provide regular professional education and training for persons carrying out control function activities.

Notification to the credit institution's management and supervisory board and the Croatian National Bank

Article 108

Where a person responsible for the operation of a control function, in carrying out his/her activities, identifies illegalities in the operation or violations of risk management rules or risk developments that jeopardise the liquidity, solvency or safety of the credit institution's operation, he/she shall immediately notify the credit institution's management and supervisory board, and the Croatian National Bank.

V.2.4 OUTSOURCING OF BUSINESS ACTIVITIES

Definition of outsourcing

Article 109

(1) 'Outsourcing' means a contractual agreement by which external service providers are engaged to perform activities which would otherwise be performed by the credit institution.

(2) For the purposes of paragraph (1) of this Article, outsourcing shall not be considered to include:

- the procurement of goods and works;
- leasing or renting; or
- utility services.

Conditions for outsourcing

Article 110

(1) A credit institution shall establish an adequate system of managing risks related to outsourcing.

(2) A credit institution shall ensure that outsourcing does not impair:

- 1) its regular operation;
- 2) its effective risk management;
- 3) its internal control systems; and
- 4) supervision by the Croatian National Bank.

(3) A credit institution which intends to outsource materially important activities shall notify the Croatian National Bank thereof and submit the prescribed documentation.

(4) The Croatian National Bank shall assess whether conditions for outsourcing prescribed in this Act and other regulations have been met and notify the credit institution of its assessment within 90 days of receipt of the notification and complete documentation referred to in paragraph (3) of this Article.

Croatian National Bank regulations relating to outsourcing

Article 111

The Croatian National Bank may adopt subordinate legislation to further regulate:

- 1) the term 'materially important activities';
- 2) detailed conditions for outsourcing; and
- 3) the content of documentation to be enclosed with and time limits for delivery of the notification referred to in Article 110, paragraph (3) of this Act.

VI CAPITAL ADEQUACY

Capital adequacy

Article 112

A credit institution shall at all times ensure an amount of capital that is proportionate to the nature, scale and complexity of its activities as well as the risks to which it is or might be exposed to while providing services.

Strategies and procedures to assess the adequacy of internal capital

Article 113

(1) Credit institutions shall have in place and implement sound, effective and comprehensive strategies and procedures to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital.

(2) 'Internal capital' means the capital that credit institutions consider adequate to cover the nature and level of the risks to which they are or might be exposed.

(3) Credit institutions shall regularly review the strategies and procedures referred to in paragraph (1) of this Article to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities they carry out.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the assessment procedures, the method of and time limits for reporting to the Croatian National Bank on the adequacy of a credit institution's internal capital and the internal capital calculation on an individual and consolidated basis.

Permissions of the Croatian National Bank

Article 114

(1) If notification of a planned change in an internal model is not required under Regulation (EU) No 575/2013 or regulations adopted under that Regulation, a credit institution shall immediately notify the Croatian National Bank of the planned change in the internal model for which it was granted permission by the Croatian National Bank.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall assess whether the planned change requires amendments to the permission on the basis of the documentation delivered and any other available information.

(3) If notification of non-compliance with requirements is not required under Regulation (EU) No 575/2013 or regulations adopted under that Regulation, a credit institution shall immediately notify the Croatian National Bank if it ceases to comply with the requirements for obtaining the permission and shall enclose:

1) evidence that the effect of non-compliance is immaterial; or

2) a plan for ensuring compliance with the requirements for obtaining the permission.

(4) A credit institution may classify capital instruments referred to in Articles 52 and 63 of Regulation (EU) No 575/2013 as additional tier 1 capital instruments or tier 2 capital instruments after it obtains the permission from the Croatian National Bank to classify capital instruments as additional tier 1 capital instruments or tier 2 capital instruments.

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

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

Internal approaches for calculating own funds requirements

Article 115

(1) Credit institutions that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities shall, without prejudice to the fulfilment of the criteria laid down in Part Three, Title I, Chapter 3, Section 1 of Regulation (EU) No 575/2013, take appropriate measures to develop internal credit risk assessment capacity and to use the internal ratings based approach for calculating own funds requirements for credit risk:

a) where their exposures are material in absolute terms, and

b) where they have at the same time a large number of material counterparties.

(2) Credit institutions that are significant in terms of their size, internal organisation and the nature, scale and complexity of their activities shall, without prejudice to the fulfilment of the criteria laid down in Part Three, Title IV, Chapter 5, Sections 1 to 5 of Regulation (EU) No 575/2013, take appropriate measures to develop internal specific risk assessment capacity and to develop and use internal models for calculating own funds requirements for specific risk of debt instruments in the trading book, together with internal models to calculate own funds requirements for default and migration risk:

a) where their exposures are material in absolute terms, and

b) where they have a large number of material positions in debt instruments of different issuers.

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

VII CAPITAL BUFFERS

Definitions

Article 116

Deleted.

VII.1 CAPITAL CONSERVATION BUFFER

Capital conservation buffer

Article 117

(1) Credit institutions shall maintain a capital conservation buffer of common equity tier 1 capital equal to 2.5% of their total risk exposure amount.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the requirement under paragraph (1) of this Article to meet any requirements imposed under Article 92 of Regulation (EU) No 575/2013 and any requirements imposed by the Croatian National Bank under Articles 220, 224, 228 and 285 of this Act.

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

VII.2 COUNTERCYCLICAL CAPITAL BUFFER

General provisions

Article 118

(1) Credit institutions shall maintain an institution-specific countercyclical capital buffer of common equity tier 1 capital equivalent to their total risk exposure amount multiplied by the specific countercyclical buffer rate referred to in Article 126 of this Act.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the requirement under paragraph (1) of this Article to meet any requirements imposed under Article 92 of Regulation (EU) No 575/2013, the requirement to maintain a capital conservation buffer imposed under Article 117 of this Act and any requirements imposed by the Croatian National Bank under Articles 220, 224, 228 and 285 of this Act.

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

Setting the countercyclical buffer rate for the Republic of Croatia

Article 119

(1) The Croatian National Bank shall be the designated authority that is responsible for setting the countercyclical buffer rate for the Republic of Croatia, i.e. the designated authority for the purposes of Article 136, paragraph (1) of Directive 2013/36/EU.

(2) The Croatian National Bank shall calculate for every quarter a buffer guide as a reference to guide its exercise of judgement in setting the countercyclical buffer rate in accordance with paragraph (3) of this Article.

(3) The buffer guide referred to in paragraph (2) of this Article shall reflect, in a meaningful way, the credit cycle and the risks due to excess credit growth in the Republic of Croatia and shall duly take into account specificities of the Croatian economy. The buffer guide shall be based on the deviation of the ratio of credit-to-GDP from its long-term trend, taking into account, inter alia:

1) an indicator of growth of levels of credit within the Republic of Croatia and, in particular, an indicator reflective of the changes in the ratio of credit granted in the Republic of Croatia to GDP;

2) any current guidance maintained by the European Systemic Risk Board on the measurement and calculation of the deviation from long term trends of ratios of credit-to-GDP and the calculation of buffer guides in accordance with Article 135, paragraph (1), item (b) of Directive 2013/36/EU.

(4) The Croatian National Bank shall assess and set the appropriate countercyclical buffer rate for the Republic of Croatia on a quarterly basis and shall adopt relevant subordinate legislation taking into account:

- 1) the buffer guide referred to in paragraphs (2) and (3) of this Article;
 - 2) any current guidance maintained by the European Systemic Risk Board in accordance with Article 135, paragraph (1), items (a), (c) and (d) of Directive 2013/36/EU and any recommendations issued by that board on the setting of the countercyclical buffer rate; and
 - 3) other variables that the Croatian National Bank considers relevant for addressing cyclical systemic risk.
- (5) The decision referred to in paragraph (4) of this Article shall contain the countercyclical buffer rate and the date from which it shall be applied.

Level of the countercyclical buffer rate

Article 120

- (1) The Croatian National Bank shall set the countercyclical buffer rate, expressed as a percentage of the total risk exposure amount, between 0% and 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.
- (2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount where this is justified on the basis of the assessment referred to in Article 119, paragraph (4) of this Act. This rate shall be applied for the calculation of the institution-specific countercyclical buffer rate in accordance with Article 126 of this Act.

The beginning of the application or increasing a countercyclical buffer rate

Article 121

- (1) Where the Croatian National Bank sets the countercyclical buffer rate above 0% for the first time, or where, thereafter, it increases the prevailing countercyclical buffer rate setting, it shall also decide the date from which that increased buffer must be applied for the purposes of calculating a countercyclical capital buffer.
- (2) The date referred to in paragraph (1) of this Article shall be no later than 12 months after the announcement referred to in Article 123 of this Act.
- (3) By way of derogation from paragraph (2) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date less than 12 months after the increased buffer setting is announced in accordance with Article 123 of this Act.

Reduction or cancellation of the applied countercyclical buffer rate

Article 122

- (1) If the Croatian National Bank reduces the existing countercyclical buffer rate or sets it at 0%, in the announcement referred to in Article 123 of this Act, it shall also determine an indicative period during which no increase in the buffer is expected.

(2) The indicative period referred to in paragraph (1) of this Article shall not bind the Croatian National Bank.

Announcement of the countercyclical buffer rate for the Republic of Croatia

Article 123

(1) The Croatian National Bank shall publish the decision referred to in Article 119, paragraph (4) of this Act in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

- 1) the applicable countercyclical buffer rate;
- 2) the relevant credit-to-GDP-ratio and its deviation from the long-term trend;
- 3) the buffer guide referred to in Article 119, paragraphs (2) and (3) of this Act;
- 4) a justification for that countercyclical buffer rate;
- 5) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer;
- 6) where the date referred to in point (5) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application; and
- 7) where the buffer rate is decreased, the indicative period during which no increase in the buffer rate is expected, together with a justification for that period.

(2) The Croatian National Bank shall take all reasonable steps to coordinate the timing of the announcement referred to in paragraph (1) of this Article with the timing of the announcements by designated authorities from other Member States.

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

Recognition of the countercyclical buffer rate in excess of 2.5%

Article 124

(1) Where a designated authority of another Member State or a relevant third-country authority has set a countercyclical buffer rate in excess of 2.5% of the total risk exposure amount, the Croatian National Bank may adopt a decision to recognise that buffer rate for the purposes of the calculation of the countercyclical capital buffer.

(2) Where the Croatian National Bank adopts a decision to recognise the rate referred to in paragraph (1) of this Article, it shall publish that decision in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

- 1) the applicable countercyclical buffer rate;
 - 2) the Member State or a third country to which the rate referred to in paragraph (1) of this Article applies;
 - 3) where the buffer rate is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and
 - 4) where the date referred to in point (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.
- (3) The decision referred to in paragraph (1) of this Article shall contain the countercyclical buffer rate, the Member State or third country to which that rate applies and the date from which it shall be applied.

Deciding on third country countercyclical buffer rates

Article 125

(1) For the purposes of the calculation of the countercyclical capital buffer for credit institutions for exposures located in third countries, the Croatian National Bank may adopt a decision on:

- 1) a countercyclical buffer rate for a third country where a countercyclical buffer rate has not been set and published by the relevant third-country authority for that third country; and
- 2) where a countercyclical buffer rate has been set and published by the relevant third-country authority for a third country, a different countercyclical buffer rate for that third country if it reasonably considers that the buffer rate set by the relevant third-country authority is not appropriate to protect those credit institutions from the risks of excessive credit growth in that country.

(2) In the case referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall not set a countercyclical buffer rate below the level set by the relevant third-country authority unless that buffer rate exceeds 2.5%, expressed as a percentage of the total risk exposure amount.

(3) Where the Croatian National Bank sets a countercyclical buffer rate for a third country pursuant to paragraph (1) or (2) of this Article which increases the existing applicable countercyclical buffer rate set by the relevant third-country authority, the Croatian National Bank shall decide the date from which that buffer rate must be applied for the purposes of calculating the countercyclical capital buffer.

(4) The date referred to in paragraph (3) of this Article shall be 12 months from the date when the increased countercyclical buffer rate is announced in accordance with paragraph (6) of this Article.

(5) By way of derogation from paragraph (4) of this Article, where so justified on the basis of exceptional circumstances, the Croatian National Bank may set the date referred to in paragraph

(3) of this Article at less than 12 months after the increased countercyclical buffer rate is announced in accordance with paragraph (6) of this Article.

(6) The Croatian National Bank shall publish a decision on a countercyclical buffer rate for a third country set pursuant to paragraph (1) or (2) of this Article in the Official Gazette and announce it on its website. The announcement on the website shall include at least the following information:

1) the countercyclical buffer rate and the third country to which it applies;

2) a justification for that buffer rate;

3) where the countercyclical buffer rate is set above 0% for the first time or is increased, the date from which the credit institutions must apply that increased buffer rate for the purposes of calculating the countercyclical capital buffer; and

4) where the date referred to in point (3) of this paragraph is less than 12 months after the date of the announcement under this paragraph, a reference to the exceptional circumstances that justify that shorter deadline for application.

(7) The decision referred to in paragraph (6) of this Article shall contain the countercyclical buffer rate and the date from which it shall be applied.

(8) When recognising the countercyclical buffer rate referred to in Article 124 of this Act, as well as when deciding on the level of the countercyclical buffer rate referred to in this Article, the Croatian National Bank shall take into account the recommendations of the European Systemic Risk Board.

Calculation of an institution-specific countercyclical buffer rate

Article 126

(1) A credit institution shall calculate the institution-specific countercyclical buffer rate as the weighted average of the countercyclical buffer rates that have been set and published for the Republic of Croatia, other Member States and third countries where the relevant credit exposures of the credit institution are located or are applied in accordance with Article 125 of this Act.

(2) For the purposes of paragraph (1) of this Article, a credit institution shall provide adequate records of applicable countercyclical buffer rates for countries where its relevant credit exposures are located and establish procedures for a regular updating of these records.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the method of calculating the institution-specific countercyclical buffer rate referred to in paragraph (1) of this Article.

Application of the countercyclical buffer rate in excess of 2.5%

Article 127

(1) If, in accordance with Article 120, paragraph (2) of this Act, the Croatian National Bank sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, credit institutions shall apply that countercyclical buffer rate to the relevant credit exposures located in the Republic of Croatia for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act.

(2) If a designated authority of another Member State sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act, credit institutions shall apply the following to the relevant credit exposures located in the Member State whose designated authority set that rate:

– a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 124 of this Act;

– a rate set by the designated authority of another Member State, if the Croatian National Bank has recognised that buffer rate in accordance with Article 124 of this Act.

(3) If a relevant third-country authority sets a countercyclical buffer rate in excess of 2.5% of total risk exposure amount, for the purposes of the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act, credit institutions shall apply the following to the relevant credit exposures located in the third country whose relevant authority set that rate:

– a rate of 2.5% of total risk exposure amount, if the Croatian National Bank has not recognised the buffer rate in excess of 2.5% in accordance with Article 124 of this Act;

– a rate set by the relevant third-country authority, if the Croatian National Bank has recognised that buffer rate in accordance with Article 124 of this Act.

(4) A credit institution shall apply the countercyclical buffer rate referred to in paragraphs (1) to (3) of this Article in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act for the purposes of the calculation of the element of consolidated capital that relates to the credit institution in question.

Beginning of the application of a countercyclical buffer rate in the calculation of an institution-specific countercyclical buffer rate

Article 128

(1) If a countercyclical buffer rate for the Republic of Croatia and other Member States is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date specified in the published decision referred to in Article 123, paragraph (1), item (5) of this Act or in the published decision referred to in Article 124, paragraph (2), item (3) of this Act.

(2) If a countercyclical buffer rate for a third country is increased, that rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act 12 months after the date on which a change in the buffer rate was announced by the

relevant third-country authority, irrespective of whether that authority requires credit institutions incorporated in that third country to apply the change within a shorter period.

(3) For the purposes of paragraph (2) of this Article, a change in the countercyclical buffer rate for a third country shall be considered to be announced on the date that it is published by the relevant third-country authority in accordance with the applicable national rules.

(4) By way of derogation from paragraph (2) of this Article, where a countercyclical buffer rate is increased and where the Croatian National Bank sets the countercyclical buffer rate for a third country in accordance with Article 125, paragraphs (1) and (2) of this Act or where it recognises the countercyclical buffer rate for a third country in accordance with Article 124 of this Act, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date specified in the published decision referred to in Article 124, paragraph (2), item (3) or Article 125, paragraph (6) of this Act.

(5) Where a countercyclical buffer rate is reduced, that buffer rate shall be applied in the calculation of the institution-specific countercyclical buffer rate referred to in Article 126 of this Act from the date of the publication of the decision to reduce that rate.

VII.3 STRUCTURAL SYSTEMIC RISK BUFFER

General provisions

Article 129

(1) The Croatian National Bank shall adopt a decision 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 in order to prevent and mitigate structural systemic risks not covered by Regulation (EU) No 575/2013.

(2) The Croatian National Bank may introduce the requirement to maintain a structural systemic risk buffer referred to in paragraph (1) of this Article only if structural systemic risks cannot be addressed by measures pursuant to this Act or Regulation (EU) No 575/2013, excluding Articles 458 and 459 of that Regulation.

(3) The Croatian National Bank shall be the authority in charge of setting the structural systemic risk buffer under Article 133, paragraph (2) of Directive 2013/36/EU for credit institutions.

Requirement to maintain a structural systemic risk buffer

Article 130

(1) Credit institutions shall be required to maintain a structural systemic risk buffer of common equity tier 1 capital in the amount and in the manner set by the Croatian National Bank.

(2) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the requirement under paragraph (1) of this Article to meet any requirements imposed under Article 92 of Regulation (EU) No 575/2013, the requirement to maintain a capital conservation buffer imposed under Article 117 of this Act, the requirement to maintain a countercyclical capital

buffer imposed under Article 118 of this Act and any requirements imposed by the Croatian National Bank under Articles 220, 224, 228 and 285 of this Act.

(3) The provisions of Article 140, paragraphs (2), (3) and (5) and Article 143 and, where appropriate, of Article 143a of this Act shall apply to credit institutions that fail to meet the requirements referred to in paragraph (2) of this Article. Where the application of those provisions does not lead to a satisfactory improvement of the common equity tier 1 capital of the credit institution in the light of the relevant structural systemic risk, the Croatian National Bank may take additional measures in accordance with this Act.

The method of setting a structural systemic risk buffer rate

Article 131

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

(2) Where the Croatian National Bank decides to set the structural systemic risk buffer up to 3% on the basis of exposures in other Member States, the buffer shall be set equally on all exposures located within those Member States.

(3) When requiring 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.

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

Procedure for setting a structural systemic risk buffer

Article 132

(1) Where the Croatian National Bank sets or resets a structural systemic risk buffer rate up to 3%, including 3%, based on exposure of a credit institution in the Republic of Croatia, another Member State or a third country, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned at least one month before it publishes a decision in accordance with Article 133 of this Act. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.

(2) 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 effective and proportionate 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 justification for why none of the existing measures in this Act or in Regulation (EU) No 575/2013, excluding Articles 458 and 459 of that Regulation, alone or in combination, would be sufficient to address the identified macroprudential or systemic risk taking into account the relative effectiveness of those measures; and

6) the systemic risk buffer rate that the Croatian National Bank intends to prescribe.

(3) If the Croatian National Bank intends to set or reset the structural systemic risk buffer rate in the Republic of Croatia and third countries to between 3% and 5%, it will act in accordance with paragraphs (1) and (2) of this Article. The Croatian National Bank may apply the intended structural systemic risk buffer rate if it obtained a positive opinion from the European Commission. Where the opinion of the European Commission is negative, the Croatian National Bank shall adopt a decision in compliance with that opinion or give reasons for not so doing.

(4) Where the structural systemic risk buffer rate referred to in paragraph (3) of this Article applies to a subsidiary credit institution in the Republic of Croatia whose parent is established in another Member State, the Croatian National Bank shall notify the relevant authorities of that Member State, the European Commission and the European Systemic Risk Board.

(5) Where within one month of the notification referred to in paragraph (4) of this Article, the relevant authorities of the other Member State express disagreement with the proposed structural systemic risk buffer rate and where the European Commission and the European Systemic Risk Board issue a negative recommendation on the proposed measure within that period, the Croatian National Bank may not apply the proposed 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.

(6) 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 (5) of this Article and shall adopt a decision accordingly.

(7) Where at least one of the authorities referred to in paragraph (5) of this Article does not express disagreement or does not issue a negative recommendation, the Croatian National Bank may apply the proposed structural systemic risk buffer.

(8) 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 (3) of this Article that applies to a subsidiary credit institution from that Member State whose parent is established in the Republic of Croatia.

(9) Where the Croatian National Bank intends to set or reset a structural systemic risk buffer rate for exposures located in the Republic of Croatia and third countries of above 5% or for exposures located in other Member States of above 3%, it shall notify in advance the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.

(10) The notification referred to in paragraph (9) of this Article must contain all information referred to in paragraph (2) of this Article.

(11) The Croatian National Bank may apply the rate referred to in paragraph (9) of this Article after the European Commission adopts an implementing act authorising the implementation of that rate.

(12) The Croatian National Bank may adopt subordinate legislation to further regulate the method of identifying the geographical location of exposures for the purposes of maintaining a structural systemic risk buffer.

Announcement of a structural systemic risk buffer

Article 133

(1) After meeting the requirements for the application of a structural systemic risk buffer 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. The announcement on the website 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) a justification for the structural systemic risk buffer, except in cases where it could jeopardise the stability of the financial system;
- 4) the date from which the credit institutions must apply the setting or resetting of the structural systemic risk buffer; and
- 5) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.

(2) 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.

Recognition of a structural systemic risk buffer rate

Article 134

(1) The Croatian National Bank may adopt a decision to recognise a structural systemic risk buffer rate set by the relevant authority of another Member State and may prescribe that this structural systemic risk buffer rate is to be applied by credit institutions for exposures located in that Member State.

(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 Commission, the European Systemic Risk Board, the European Banking Authority and the relevant authority of the Member State which set the structural systemic risk buffer rate.

(3) When deciding whether to recognise a structural systemic risk buffer rate set by the relevant authority of another Member State, the Croatian National Bank shall take into consideration the information presented by that Member State related to the setting of the structural systemic risk buffer rate.

(4) If it sets a structural systemic risk buffer rate, the Croatian National Bank may ask the European Systemic Risk Board to issue a recommendation in accordance with Article 16 of Regulation (EU) No 1092/2010 to one or more Member States for recognition of that buffer rate for exposures located in the Republic of Croatia.

VII.4 BUFFERS FOR GLOBAL SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS AND OTHER SYSTEMICALLY IMPORTANT CREDIT INSTITUTIONS

Global systemically important credit institutions

Article 135

(1) The Croatian National Bank shall identify, on a consolidated basis, global systemically important credit institutions (G-SIIs), which it has authorised.

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

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

1) an EU parent credit institution having its head office in the RC;

2) an EU parent financial holding company having its head office in the RC;

3) an EU parent mixed financial holding company having its head office in the RC;

4) a credit institution which is not a subsidiary of an EU parent credit institution, an EU parent financial holding company or an EU parent mixed financial holding company.

(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 (4) of this Act to which the G-SII is allocated. That buffer shall consist of common equity tier 1 capital.

(5) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the requirement under paragraph (4) of this Article to meet any requirements imposed under Article 92 of Regulation (EU) No 575/2013, the requirement to maintain a capital conservation buffer imposed under Article 117 of this Act, the requirement to maintain a countercyclical capital buffer imposed under Article 118 of this Act and any requirements imposed by the Croatian National Bank under Articles 220, 224, 228 and 285 of this Act.

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

(7) The Croatian National Bank shall by a decision identify G-SIIs and the sub-category referred to in Article 136, paragraph (4) of this Act to which each G-SII is allocated.

Identification methodology for G-SIIs

Article 136

(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) The methodology referred to in paragraph (1) 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 the five sub-categories as described in paragraph (3) of this Article.

(3) 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. 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, with the exception of the highest sub-category. Systemic significance is the expected impact exerted by the G-SII's distress on the global financial market.

(4) G-SIIs shall maintain a G-SII buffer in the amount of the following percentages of their total risk exposure amounts:

- 1) for the first sub-category, which is the lowest, of 1%;
- 2) for the second sub-category, of 1.5%;
- 3) for the third sub-category, of 2%;
- 4) for the fourth sub-category, of 2.5%; and
- 5) for the fifth sub-category, which is the highest, of 3.5%.

(5) 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 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. Where the Croatian National Bank takes such decision, it shall notify the European Banking Authority accordingly and provide reasons.

(6) The Croatian National Bank shall review annually the identification of G-SIIs and the G-SII allocation into the respective sub-categories. The Croatian National Bank shall report the result to the G-SII concerned, to the European Commission, the European Systemic Risk Board and the European Banking Authority and shall disclose on its website the updated list of identified G-SIIs and the sub-category into which each identified G-SII is allocated.

Other systemically important credit institutions

Article 137

(1) The Croatian National Bank shall identify, on an individual, sub-consolidated or consolidated basis, as applicable, other systemically important credit institutions (O-SIIs), which it has authorised.

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

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

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

(4) The Croatian National Bank shall set an O-SII buffer rate, on a consolidated or sub-consolidated or individual basis, as applicable, between 0% and 2% of the total risk exposure amount, taking into account the criteria for the identification of the O-SII. That buffer shall consist of common equity tier 1 capital.

(5) Each O-SII shall maintain an O-SII buffer in the amount set by the Croatian National Bank taking into account paragraph (6) of this Article and Article 139 of this Act.

(6) 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 an EU parent credit institution and subject to an O-SII buffer on a consolidated basis, the buffer that applies at individual or sub-consolidated basis for the O-SII shall not exceed the higher of:

1) 1% of the total risk exposure amount; and

2) the G-SII or O-SII buffer rate applicable to the group at consolidated basis.

(7) Credit institutions shall not use common equity tier 1 capital that is maintained to meet the requirement under paragraph (5) of this Article to meet any requirements imposed under Article 92 of Regulation (EU) No 575/2013, the requirement to maintain a capital conservation buffer imposed under Article 117 of this Act, the requirement to maintain a countercyclical capital buffer imposed under Article 118 of this Act and any requirements imposed by the Croatian National Bank under Articles 220, 224, 228 and 285 of this Act.

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

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

Identification methodology for O-SIIs

Article 138

(1) For the purposes of identifying O-SIIs, systemic importance shall be assessed on the basis of at least any of the following criteria:

1) size;

2) importance for the economy of the European Union or of the Republic of Croatia;

3) significance of cross-border activities; and

4) interconnectedness of the credit institution or the group with the financial system.

(2) When requiring an O-SII buffer to be maintained the Croatian National Bank shall comply with the following:

1) the O-SII buffer must 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;

2) the O-SII buffer must be reviewed by the Croatian National Bank at least annually.

(3) Before setting or resetting an O-SII buffer, the Croatian National Bank shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority, and the competent and designated authorities of the Member States concerned one month before the publication of the decision referred to in Article 137, paragraph (4) of this Act. That notification shall describe in detail:

1) the justification for why the Croatian National Bank considers the proposed O-SII buffer likely to be effective and proportionate 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.

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

(5) The Croatian National Bank may adopt subordinate legislation to further specify the criteria and the manner of identifying O-SIIs.

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

VII.5 CORRELATION BETWEEN SYSTEMIC RISK BUFFERS

Correlation between a structural systemic risk buffer, a G-SII buffer and an O-SII buffer, and a combined buffer requirement

Article 139

(1) A G-SII or an O-SII shall, on a consolidated basis, be subject to the following buffers applicable to it on a consolidated basis:

1) to the higher of a G-SII buffer or an O-SII buffer; or

2) to the highest of a G-SII buffer, an O-SII buffer or a structural systemic risk buffer.

(2) By way of derogation from paragraph (1) of this Article, where the structural systemic risk buffer applies to all exposures located in the Republic of Croatia to address the macroprudential risk of the Republic of Croatia, but does not apply to exposures outside the Republic of Croatia,

a G-SII or an O-SII shall, on a consolidated basis, be subject to the sum of the following buffers applicable to it on a consolidated basis:

1) the higher of the G-SII buffer and the O-SII buffer; and

2) the structural systemic risk buffer.

(3) Where an O-SII, on an individual or sub-consolidated basis, is subject to an O-SII buffer and a structural systemic risk buffer, the higher of the two shall apply.

(4) By way of derogation from paragraph (3) of this Article, where the structural systemic risk buffer applies to all exposures located in the Republic of Croatia to address the macroprudential risk of the Republic of Croatia, but does not apply to exposures outside the Republic of Croatia, an O-SII shall, on an individual or sub-consolidated basis, be subject to the sum of both buffers referred to in paragraph (3) of this Article.

(5) Where paragraphs (1) and (3) of this Article apply and a credit institution is part of a group or a sub-group to which a G-SII or an O-SII belongs, it shall, on an individual basis, be subject to a combined buffer requirement that is at least equal to the sum of the following buffers applicable to it on an individual basis:

1) a capital conservation buffer,

2) a countercyclical capital buffer, and

3) the higher of the O-SII buffer and structural systemic risk buffer.

(6) Where paragraphs (2) and (4) of this Article apply and a credit institution is part of a group or a sub-group to which a G-SII or an O-SII belongs, it shall, on an individual basis, be subject to a combined buffer requirement that is at least equal to the sum of the following buffers applicable to it on an individual basis:

1) a capital conservation buffer,

2) a countercyclical capital buffer,

3) an O-SII buffer, and

4) a structural systemic risk buffer.

(7) A credit institution which is not part of a group or a sub-group to which a G-SII or an O-SII belongs and which has been identified as an O-SII on an individual basis shall, on an individual basis, be subject to a combined buffer requirement that is at least equal to the sum of the following buffers applicable to it on an individual basis:

1) a capital conservation buffer,

2) a countercyclical capital buffer,

3) the higher of the O-SII buffer and structural systemic risk buffer.

(8) By way of derogation from paragraph (7) of this Article, where the structural systemic risk buffer applies to all exposures located in the Republic of Croatia to address the macroprudential risk of the Republic of Croatia, but does not apply to exposures outside the Republic of Croatia, a credit institution referred to in paragraph (7) of this Article shall, on an individual basis, be subject to a combined buffer requirement that is at least equal to the sum of the following buffers applicable to it on an individual basis:

- 1) a capital conservation buffer,
- 2) a countercyclical capital buffer,
- 3) an O-SII buffer, and
- 4) a structural systemic risk buffer.

(9) Credit institutions shall not use the same common equity tier 1 capital to meet a G-SII buffer requirement, an O-SII buffer requirement and a structural systemic risk buffer requirement.

VII.6 CAPITAL CONSERVATION MEASURES

Restrictions on distributions

Article 140

(1) A credit institution that meets the combined buffer requirement shall not make 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.

(2) A credit institution that fails to meet the combined buffer requirement shall calculate the maximum distributable amount in accordance with the subordinate legislation of the Croatian National Bank referred to in paragraph (6) of this Article and shall, without delay, notify the Croatian National Bank of that maximum distributable amount.

(3) The credit institution referred to in paragraph (2) of this Article shall not undertake any of the following actions before it has calculated the maximum distributable amount:

- 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 institution failed to meet the combined buffer requirements; and
- 3) make payments on additional tier 1 instruments.

(4) For the purposes of paragraphs (1) and (3) of this Article, a distribution in connection with common equity tier 1 capital shall include the following:

- 1) a payment of cash dividends;

2) a distribution of fully or partly paid bonus shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;

3) a redemption or purchase by a credit institution of its own shares or other capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013;

4) a repayment of amounts paid up in connection with capital instruments referred to in Article 26, paragraph (1), item (a) of Regulation (EU) No 575/2013; and

5) a distribution of items referred to in Article 26, paragraph (1), items (b) to (e) of Regulation (EU) No 575/2013.

(5) A credit institution that fails to meet its combined buffer requirement at least in the amount prescribed in this Act shall not distribute more than the maximum distributable amount calculated in accordance with paragraph (2) of this Article through any action referred to in paragraph (3) of this Article.

(6) The Croatian National Bank shall adopt subordinate legislation to further regulate the method of calculating the maximum distributable amount.

Payments subject to restrictions on distributions

Article 141

The restrictions on distributions imposed by Article 140 of this Act shall only apply to payments that result in a reduction of common equity tier 1 capital or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings under the provisions of this Act and other regulations governing the insolvency regime applicable to the credit institution.

Distributions in the case of failure to meet the combined buffer requirement

Article 142

(1) A credit institution that fails to meet the combined buffer requirement and intends to distribute any of its distributable profits or undertake an action referred to in Article 140, paragraph (3) of this Act shall notify the Croatian National Bank in advance and provide the following information:

1) the amount of capital maintained by the credit institution, subdivided as follows:

a) common equity tier 1 capital,

b) additional tier 1 capital,

c) tier 2 capital;

2) the amount of its interim and year-end profits;

3) the maximum distributable amount calculated in accordance with Article 140, paragraphs (2) and (6) of this Act;

4) the amount of distributable profits it intends to allocate between the following:

a) dividend payments,

b) share buybacks,

c) payments on additional tier 1 instruments,

d) the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the credit institution failed to meet its combined buffer requirements.

(2) A credit institution shall establish and maintain arrangements to ensure that the amount of distributable profits and the maximum distributable amount are calculated accurately, and shall be able to demonstrate that accuracy to the Croatian National Bank on request.

Capital conservation plan

Article 143

(1) A credit institution that fails to meet the combined buffer requirement shall prepare a capital conservation plan and submit it to the Croatian National Bank no later than five working days after it identified that it was failing to meet that requirement.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may, on request of an individual credit institution, allow the credit institution to submit a capital conservation plan in up to 10 days taking into account the scale and complexity of the credit institution's activities.

(3) The capital conservation plan shall include the following:

1) estimates of income and expenditure and a forecast balance sheet;

2) measures to increase the capital ratios of the credit institution;

3) a plan and timeframe for the increase of own funds with the objective of meeting fully the combined buffer requirement.

(4) The Croatian National Bank may request any other information that it considers to be necessary to carry out the assessment required by paragraph (5) of this Article.

(5) The Croatian National Bank shall assess the capital conservation plan, and shall approve the plan only if it considers that the plan, if implemented, would be reasonably likely to conserve or raise sufficient capital to enable the credit institution to meet its combined buffer requirements within a period which the Croatian National Bank considers appropriate.

(6) If the Croatian National Bank does not approve the capital conservation plan in accordance with paragraph (5) of this Article, it shall impose one or both of the following:

1) require the credit institution to increase own funds to specified levels within specified periods;

2) exercise its powers under Article 220 of this Act to impose more stringent restrictions on distributions than those required by Articles 140 to 142 of this Act.

(7) Where a credit institution intends to take other measures to increase its capital ratios, i.e. change the timeframe for the increase in own funds from the approved capital conservation plan, it shall notify the Croatian National Bank thereof and submit an amended capital conservation plan. The Croatian National Bank shall assess and approve the amended capital conservation plan in accordance with paragraph (5) of this Article.

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

Article 143a

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC which meet the combined buffer requirement on an individual basis, but on a consolidated basis do not meet the combined buffer requirement relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

1) Articles 140 to 142 of this Act *mutatis mutandis* on an individual basis; and

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

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement applicable to them on an individual basis, or such a requirement on a consolidated basis relating to the group of credit institutions in the RC on a consolidated basis, shall apply:

1) Articles 140 to 142 of this Act so that the maximum distributable amount is considered the lower of the following amounts:

a) the amount calculated by applying Article 140 of this Act; or

b) the amount calculated by applying paragraph (1), item (1) of this Article.

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

(3) By way of derogation from paragraph 143 of this Act, a member of a group of credit institutions in the RC that fails to meet the combined capital requirement on an individual basis shall not be obligated to create a capital conservation plan in cases referred to in paragraphs (1) and (2) of this Article, but an RC parent credit institution and an EU parent credit institution having its head office in the RC shall create a capital conservation plan referred to in paragraph

(1), item (2) and paragraph (2), item (2) of this Article in the manner that it contains at a minimum the capital conservation plans of the members of a group of credit institutions in the RC which fail to meet the combined requirement buffer on an individual basis.

(4) The Croatian National Bank shall adopt subordinate legislation to further regulate the requirements laid down in Articles 140 to 143 of this Act, as well as the requirements referred to in this Article which an RC parent credit institution and an EU parent credit institution having its head office in the RC must meet in the case referred to in this Article.

VII.7 REPORTING

Reporting

Article 144

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

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

VIII OTHER EXPOSURES AND APPROVALS

Definition of exposure

Article 145

For the purposes of this Title, 'exposure' shall have the meaning as defined in Article 389 of Regulation (EU) No 575/2013.

Persons in a special relationship with a credit institution

Article 146

(1) Persons in a special relationship with a credit institution to whom an exposure would be incurred or increased are:

1) the credit institution's shareholders owning 5% or more of shares with voting rights at the credit institution's general meeting;

2) the members of the credit institution's management and supervisory board and its procurators;

3) the person responsible for the control function, the person responsible for corporate business, the person responsible for retail business, the person responsible for treasury operations and the authorised person responsible for anti-money laundering;

4) legal persons in which the credit institution holds a participation or in which members of the credit institution's management board, supervisory board or its procurators hold a participation;

5) legal persons whose members of the management or supervisory body or procurators are at the same time members of the credit institution's management or supervisory board or its procurators;

6) legal persons whose member of the management board owns 10% or more of shares with voting rights at the credit institution's general meeting;

7) the members of the management board, supervisory board or procurators of the undertaking which is, directly or indirectly, the credit institution's parent undertaking or the credit institution's subsidiary;

8) third persons acting for the account of persons referred to in items (1) to (7) of this paragraph in relation to the activities which would incur or increase the credit institution's exposure.

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

1) persons connected with the persons referred to in paragraph (1), items (1) to (7) of this Article in the manner referred to in Article 3, item (18) of this Act; and

2) immediate family members of natural persons referred to in paragraph (1), items (1) to (7) of this Article.

(3) For the purposes of paragraph (1), item (1) of this Article, persons in a special relationship with a credit institution shall also include funds that are holders of the credit institution's shares.

Deciding on arrangements with persons in a special relationship with a credit institution

Article 146a

(1) A credit institution may conclude a legal arrangement with a person referred to in Article 146 of this Act only if such an arrangement is concluded under terms and conditions not more favourable than the credit institution's common terms and conditions.

(2) Each individual legal arrangement with a person referred to in Article 146 of this Act resulting in or increasing the total exposure of a credit institution that exceeds HRK 50,000.00 may be incurred only by a unanimous decision of all management board members and subject to prior approval of the supervisory board. Exceptionally, a member of the management or supervisory board shall not take the vote on the approval of an exposure if the exposure is to be incurred towards the member or to persons connected to the member.

(3) By way of derogation from paragraph (2) of this Article, where the type of business or incurrance of certain exposures is such that this is the case of daily transactions or exposures for which individual prior unanimous decision of all management board members or prior approval of the supervisory board would seriously hinder the work process of the credit institution, the management board may, by a unanimous decision of all management board members and with prior approval of the supervisory board, grant a framework approval for multiple legal arrangements subject to the following conditions:

1) it relates to a specific person in a special relationship with the credit institution referred to in Article 146 of this Act, and not to all such persons in general; and

2) it is granted for a maximum period of six months and a member of the management board or a member of the supervisory board may not take a vote on the approval of exposure if the exposure is to be incurred towards the member or to persons connected to the member.

Legal effects of concluding arrangements contrary to the provisions of this Act

Article 146b

(1) Where a legal arrangement, as a result of which the credit institution would incur or increase its exposure, in the form of loans or other on-balance sheet items, to a person referred to in Article 146, paragraph (1), items (2), (3) and (7) of this Act, including persons that are connected to that person, in the manner referred to in Article 146, paragraph (2) of this Act, or are that person's immediate family members, is concluded contrary to the provisions of Article 146a of this Act, such person shall without delay return to the credit institution all receipts arising from such legal arrangement regardless of the contractual provisions.

(2) Exceptionally, paragraph (1) of this Article shall not apply where within three months of the date of the conclusion of a legal arrangement such legal arrangement is approved by a unanimous decision of the management board and approved by the supervisory board, and where at the end of that period contractual terms are not more favourable than the credit institution's common terms and conditions.

Responsibilities of the Croatian National Bank for subordinate legislation

Article 146c

The Croatian National Bank shall adopt subordinate legislation to specify reporting requirements and further regulate the method of and time limits for reporting on exposures to persons in a special relationship referred to in Article 146 of this Act.

Prior approval of the supervisory board

Article 147

(1) Prior approval of a credit institution's supervisory board shall be required before concluding a legal arrangement that might result in the credit institution's large exposure to a single person or group of connected clients. Prior approval of the supervisory board shall also be required before concluding a legal arrangement as a result of which the credit institution's large exposure

to a single person or group of connected clients would increase so as to reach or exceed 15%, 20%, and each additional 5% of the credit institution's eligible capital.

(2) A member of a group of credit institutions in the RC shall require prior approval of the supervisory board of an RC parent credit institution and of an EU parent credit institution having its head office in the RC before concluding a legal arrangement that might result in the large exposure of group of credit institutions in the RC to a single person or group of connected clients. Prior approval of the supervisory board shall also be required before concluding a legal arrangement as a result of which the large exposure of a group of credit institutions to a single person or group of connected clients would increase so as to reach or exceed 15% or 20%, and each additional 5% of the eligible capital of a group of credit institutions in the RC.

Holdings of tangible assets

Article 148

(1) Credit institution's total holdings of tangible assets may not exceed 40% of the credit institution's eligible capital.

(2) The holdings referred to in paragraph (1) of this Article shall not be holdings that a credit institution acquired in the first two years:

- after acquisition, in exchange for its claims during the process of financial reconstruction;
- in the process of the transfer of ownership of real estate which is the collateral for a consumer housing loan to a credit institution, executed in accordance with the law governing consumer housing loans;
- in the course of bankruptcy or foreclosure proceedings; and
- through the realisation of collateral received pursuant to the Foreclosure Act.

Prior approval of the Croatian National Bank to acquire individual holdings

Article 149

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

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

(3) By way of derogation from paragraphs (1) and (2) of this Article, a credit institution shall not be required to obtain prior approval of the Croatian National Bank to conclude a legal arrangement that would result in the direct acquisition of shares or holdings it intends to hold in the trading book.

(4) A credit institution shall notify the Croatian National Bank of all changes in the activity of legal persons in which it has a majority holding in the capital or a majority of the voting rights prior to the entry of such activity in the register of companies.

(5) The following documents shall be enclosed with the application for the prior approval referred to in paragraphs (1) and (2) of this Article:

1) a detailed description of the legal arrangement to which the application refers;

2) a description of actions already taken by the applicant in relation to the legal arrangement to which the application refers;

3) a description of the effect of acquiring a majority holding in the capital or a majority of the voting rights on the existing operations of the applicant; and

4) a business plan with projected financial statements for the following three years.

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

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

IX SALE OF PLACEMENTS BY CREDIT INSTITUTIONS

Sale of placements by credit institutions

Article 150

(1) For the purposes of this Article, 'sale of placements' means any contract the purpose of which is to transfer a placement or risks and benefits arising from the placement from a selling credit institution (hereinafter in this Article referred to as 'seller') to the acquirer, which results in derecognition of the placement from the balance sheet of the credit institution in accordance with the International Financial Reporting Standards (hereinafter in this Article referred to as 'contract').

(2) The seller may conclude a contract if it meets the general conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article.

(3) By way of derogation from paragraph (2) of this Article, the seller may conclude a contract concerning a material amount of placements if the contract meets the general and specific conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article and if at least 60 days prior to concluding the contract the seller notifies the Croatian National Bank in writing that such conditions have been met and delivers complete documentation.

(4) The seller may return to its balance sheet a material amount of placements or risks and benefits arising from a material amount of placements under conditions prescribed by the Croatian National Bank in subordinate legislation referred to in paragraph (7) of this Article.

(5) The seller shall ensure that consumers whose placements are the subject matter of the contract are not put by the acquirer, or a third party to which the acquirer has transferred placements or risks and benefits arising from placements, in a less favourable position with regard to consumer protection than the position they held as debtors to the seller. The seller and the acquirer or the third party to which placements have been further transferred shall be jointly liable for any damage to the consumers that may arise from their legally or factually less favourable position than the position they held as debtors to the seller. The provision of this paragraph shall apply to all contracts regardless of whether the amount of the placement concerned is material or not.

(6) The provisions of paragraphs (2) to (5) of this Article shall not apply to contracts concluded within measures imposed on credit institutions in financial difficulties by the Croatian National Bank or relevant administrative bodies, or measures taken by the special administration or resolution administration of a credit institution.

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

- the definition and scope of placements;
- the material amount of placements;
- conditions for the sale of placements and the return of placements to the seller's balance sheet;
- cases in which certain placements may be returned to the seller; and
- documentation that the credit institution shall deliver to the Croatian National Bank for the purpose of verifying compliance with the prescribed conditions.

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

X REPORTING TO THE CROATIAN NATIONAL BANK

Reporting

Article 151

(1) A credit institution shall report to the Croatian National Bank in accordance with this Act and regulations adopted under this Act, Regulation (EU) No 575/2013 and regulations adopted under that Regulation, as well as other regulations of the European Union governing the operation of credit institutions.

(2) A credit institution shall report to the Croatian National Bank the following without delay:

1) all facts to be entered in the register of companies and each submitted application for entry of data in the register of companies as well as all completed entries of data changes in the register of companies;

2) the announcement of its general meeting and the date on which it is to be held;

3) the convening of its general meeting and all decisions adopted at the meeting;

4) all planned changes in the credit institution's initial capital of 10% or more;

5) discontinuance of individual banking and/or financial services; and

6) on becoming aware of the fact that natural or legal persons acquired a qualifying holding or that holders of a qualifying holding sold or otherwise disposed of their shares that caused holdings to exceed or fall below the threshold for which they obtained prior approval.

(3) In addition to the facts referred to in paragraph (2) of this Article, a credit institution shall submit reports about the following to the Croatian National Bank:

1) borrowers whose debt to the credit institution exceeds an amount laid down by the Croatian National Bank, for the purpose of notifying all credit institutions of such borrowers;

2) the credit institution's shareholders and persons connected with them holding 3% or more of shares with voting rights at the credit institution's general meeting;

3) close links between the credit institution and other natural and legal persons; and

4) the structure of groups of connected clients to whom the credit institution is exposed.

(4) Credit institutions whose shares are listed for trading on a regulated market shall, at least annually, inform the Croatian National Bank of the names of shareholders possessing qualifying holdings and the sizes of such holdings.

(5) A credit institution's management board shall notify the Croatian National Bank without delay if:

1) the liquidity or solvency of the credit institution is jeopardised;

2) reasons for expiry or revocation of authorisation or for revocation of authorisation to provide individual financial services arise;

3) the credit institution's financial position changes to the extent that its own funds fall below the level laid down in Article 92 of Regulation (EU) No 575/2013 or below the level imposed by the Croatian National Bank under Articles 224, 228 and 285 of this Act;

(6) The Croatian National Bank may adopt subordinate legislation to further regulate the content of the reports referred to in paragraphs (2) and (3) of this Article, along with time limits for and the method of reporting.

Benchmark remuneration trends

Article 152

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

Benchmark remuneration trends related to diversity

Article 152a

The Croatian National Bank shall collect information in accordance with Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013 and shall use it to establish benchmark remuneration trends and practices of credit institutions related to diversity of the management and supervisory boards.

Reporting at the request of the Croatian National Bank

Article 153

At the request of the Croatian National Bank a credit institution shall deliver reports and information on all matters relevant for the exercise of supervision or oversight and other tasks within the competence of the Croatian National Bank.

X.a RECOVERY PLANS

Recovery plan

Article 154

(1) A recovery plan that sets out measures to be taken to restore its financial position following a significant deterioration shall be drawn up and delivered to the Croatian National Bank by:

- 1) a credit institution that is not part of a group of credit institutions in the EU or a group of credit institutions in the RC, on an individual basis;
- 2) an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act, for its group of credit institutions in the RC on a consolidated basis;
- 3) a credit institution which is a member of a group of credit institutions in the EU, on an individual or sub-consolidated basis, where so decided in accordance with Article 154c of this Act and imposed by a decision of the Croatian National Bank; and
- 4) a credit institution excluded from a group of credit institutions in the RC pursuant to Article 19 of Regulation (EU) No 575/2013, on an individual basis.

(2) A recovery plan shall be adopted by a credit institution's management board subject to prior approval of the supervisory board.

(3) The recovery plan referred to in paragraph (1) of this Article shall be drawn up and delivered in the manner prescribed in subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act.

(4) A credit institution shall implement the recovery plan adopted in accordance with paragraph (2) of this Article.

(5) A credit institution shall update its recovery plan at least annually or after a change in the legal or organisational structure of the credit institution or of the member of a group of credit institutions for which the recovery plan is drawn up or after a change in its business or its financial situation, which could have a material effect on, or necessitates a change to, the recovery plan.

(6) A credit institution shall lay down, document and regularly review the process of drawing up and updating recovery plans.

(7) Where it deems it necessary, the Croatian National Bank may require a credit institution to update its recovery plans more frequently.

(8) A credit institution shall ensure the Croatian National Bank access to full and detailed information concerning the process of drawing up and updating its recovery plans.

(9) In the subordinate legislation referred to in Article 101, paragraph (2), item (8) of this Act, the Croatian National Bank may regulate that the requirements for a credit institution regarding the scope of recovery plans and frequency of updating recovery plans may be reduced, taking into account:

1) the effect that the failure of the credit institution might have due to the nature of its business, shareholding structure, legal form, risk profile, size, interconnectedness to other credit institutions or the financial system in general, the scope and complexity of its activities, and investment services or activities as defined in the special law governing the capital market, transposing the provisions of Article 4, paragraph (1), item (2) of Directive 2014/65/EU; and

2) the assessment of whether its failure and subsequent bankruptcy would be likely to have a significant negative effect on financial markets, on other credit institutions or investment firms, on funding conditions, or on the wider economy.

(10) Before adopting the subordinate legislation referred to in Article 101, paragraph (2), item (8) of this Act, the Croatian National Bank shall consult the Financial Stability Council with regard to the circumstances referred to in paragraph (9) of this Article.

(11) The application of a reduced scope of recovery plans and lower frequency of their updating as defined in paragraph (9) of this Article shall not affect the power of the Croatian National Bank to take crisis prevention measures.

(12) The Croatian National Bank shall notify the European Banking Authority of the adoption of subordinate legislation referred to in paragraph (9) of this Article and the manner in which the reduced scope of recovery plans and lower frequency of their updating are regulated.

(13) A credit institution shall prepare and regularly update a list of financial contracts to which the credit institution concerned is a party.

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

Assessment of recovery plans

Article 154a

(1) A credit institution shall ensure that its recovery plan meets the following criteria:

1) the implementation of the arrangements proposed in the plan maintains or restores the viability of the credit institution's regular operation and stability of the financial position of the credit institution or of a group of credit institutions for which the plan is drawn up, in case of a serious financial disruption, taking into account the preparatory measures that the credit institution has taken or plans to take; and

2) the plan and arrangements proposed in the plan may be implemented quickly and effectively in situations of a serious financial disruption and shall not lead to significant adverse effects on the financial system, including in scenarios which would lead other credit institutions to implement recovery plans within the same period.

(2) The Croatian National Bank shall, within six months of the submission of the recovery plan, review whether the requirements laid down in Article 154 of this Act and the criteria referred to in paragraph (1) of this Article are satisfied and notify the credit institution thereof. Where a credit institution has a significant branch located in another Member State, the Croatian National Bank shall, within the said period, consult the competent authority of the Member State where the significant branch is located insofar as is relevant to that branch.

(3) In connection to the review referred to in paragraph (2) of this Article, the Croatian National Bank shall take into consideration the appropriateness of the credit institution's capital and funding structure to the level of complexity of the organisational structure and the risk profile of the institution.

(4) The Croatian National Bank shall without delay provide the recovery plan to the resolution authority responsible for drawing up the credit institution's resolution plan, which may, where it deems that the actions proposed in the recovery plan may adversely impact the resolvability of the credit institution, make recommendations within a reasonable timeframe. The obtained recommendations shall be taken into consideration when imposing measures on the credit institution.

(5) Where the Croatian National Bank within the time limit referred to in paragraph (2) of this Article assesses that there are material deficiencies in the recovery plan, or material impediments to its implementation, it shall require the credit institution to submit, within the period not longer than two months, a revised plan remedying those deficiencies or impediments. The Croatian National Bank may, at the request of the credit institution, extend the timeframe for submitting a revised recovery plan by one month at the most. Before requiring the credit institution to submit a revised recovery plan, the Croatian National Bank shall give the credit institution the opportunity to state its opinion on that requirement.

(6) Where the Croatian National Bank assesses that the deficiencies and impediments have not been remedied by the revised recovery plan, it may direct the credit institution to make specific changes to the recovery plan.

(7) If the institution fails to submit a revised recovery plan, or if the Croatian National Bank assesses that the revised recovery plan does not remedy the initially identified deficiencies or impediments and if it is not possible to remedy the deficiencies or impediments through a direction to make specific changes to the recovery plan, the Croatian National Bank shall require the institution to identify changes it can make to its business in order to remedy the deficiencies or impediments to the implementation of the recovery plan and the timeframe within which it would be able to implement them.

(8) If the Croatian National Bank assesses that the changes to the credit institution's business proposed by the credit institution adequately remedy the deficiencies or impediments to the implementation of the recovery plan, it shall direct the credit institution to make the changes.

(9) If the credit institution fails to identify changes to its business aimed at remedying deficiencies or impediments in the implementation of the recovery plan or if the Croatian National Bank assesses that the proposed changes or timeframes are not adequate, the Croatian National Bank may direct the credit institution to take any measure it considers to be necessary to remedy the deficiencies or impediments in the implementation of the recovery plan proportionate in view of the seriousness of the deficiencies and impediments and the effects of the measures on the credit institution's business.

(10) For the purpose of paragraph (9) of this Article, the Croatian National Bank may, in addition to other measures available under this Act, direct the credit institution to:

- 1) reduce its risk profile, including liquidity risk;
- 2) create the conditions for a timely increase in its initial capital or own funds;
- 3) review its strategy and organisational structure;
- 4) make changes to its funding strategy so as to improve the resilience of the core business lines and critical functions; and
- 5) make changes to its governance structure.

(11) The measures referred to in paragraph (10) of this Article can be measures implemented on a consolidated basis, measures implemented on an individual basis by the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act or measures implemented on an individual basis by individual members of a group of credit institutions.

Assessment of group recovery plans where the Croatian National Bank is the consolidating supervisor

(1) The recovery plan drawn up by the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act for its group of credit institutions in the RC shall contain measures to be implemented on an individual basis by the parent credit institution and measures to be implemented on an individual basis by each subsidiary individually. The aim of this plan is to achieve the stabilisation of the group of credit institutions in the RC as a whole, or any member of that group in the situation of a serious financial disruption so as to address or remove the causes of the disruption or restore the financial position of the group or the members of that group, at the same time taking into account the financial position of other members of the group.

(2) The Croatian National Bank as the consolidating supervisor shall, in accordance with the requirements concerning the exchange of confidential information of the Act on the Resolution of Credit Institutions and Investment Firms, transmit group recovery plans to:

- 1) the competent authorities of the Member States included in the college of supervisors;
- 2) the competent authorities of the Member States where significant branches are located insofar as is relevant to that branch;
- 3) the group-level resolution authority; and
- 4) resolution authorities of subsidiaries.

(3) After consulting the competent authorities included in the college of supervisors and insofar as is relevant to that branch, after consulting the competent authorities of the Member States where significant branches are located, the Croatian National Bank as the consolidating supervisor and the competent authorities of other Member States where head offices are located of other undertakings included in the group of credit institutions in the RC shall review, in the manner referred to in Article 154a of this Act and in this Article, whether the group recovery plan satisfies the requirements and criteria laid down in Article 154a of this Act, in this Article and subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act.

(4) The review referred to in paragraph (3) of this Article shall take into account the potential impact of the measures proposed in the recovery plan on the financial stability in all the Member States where the group of credit institutions in the RC operates.

(5) The Croatian National Bank shall cooperate with the competent authorities of other Member States in which there are head offices of other undertakings included in the group of credit institutions in the RC to reach a joint decision on:

- 1) the review and assessment of the group recovery plan for the group of credit institutions in the RC;
- 2) the application for a recovery plan on an individual basis for a credit institution that is part of the group of credit institutions in the RC;
- 3) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act; and

4) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the subsidiary member of the group of credit institutions in the RC;

(6) The joint decision shall be reached within four months of the date of the transmission by the Croatian National Bank of the group recovery plan for the group of credit institutions in the RC to the competent authorities of other Member States. This decision must be written and fully reasoned. The Croatian National Bank shall deliver this decision to the parent credit institution for which is the competent authority.

(7) In the process of reaching a joint decision referred to in paragraph (5) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(8) Based on the decision referred to in paragraph (5) of this Article, the Croatian National Bank shall adopt a decision and deliver it to the member of the group of credit institutions in the RC for which the Croatian National Bank is the competent authority.

(9) Where it is assessed in the joint decision referred to in paragraph (5) of this Article that there are material deficiencies in the recovery plan, or material impediments to its implementation, the procedure referred to in Article 154a, paragraphs (5) to (10) of this Act shall be applied as appropriate.

(10) If a joint decision referred to in paragraph (5) of this Article is not reached within four months of the date when the Croatian National Bank transmitted the group recovery plan to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC, the Croatian National Bank shall make its own decision referred to in paragraph (5), items (1) and (3) of this Article for credit institutions within its competence, taking into account the expressed views and reservations of these competent authorities, and shall notify the decision to the parent credit institution within its competence and to the competent authorities.

(11) By way of derogation from paragraph (10) of this Article, if, at the end of the four-month period of the date when the Croatian National Bank transmitted to the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC the group recovery plan for that group and prior to the reaching of a joint decision, the Croatian National Bank or any of the competent authorities of another Member State where head offices are located of other undertakings included in the group of credit institutions in the RC refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in reaching a joint decision on the assessment of the recovery plan or imposing the measures referred to in Article 154a, paragraph (10), item (1), (2) or (4) of this Act, 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.

(12) In the case referred to in paragraph (11) of this Article, if the European Banking Authority does not reach a decision within one month, the Croatian National Bank shall take its own decision referred to in paragraph (5), items (1) and (3) of this Article for credit institutions within its competence, taking into account the expressed views and reservations of these competent authorities and shall notify the decision to the parent credit institution within its

competence and the competent authorities of the Member States where head offices are located of other undertakings included in the group of credit institutions in the RC.

(13) The Croatian National Bank and other competent authorities which do not disagree with the reaching of a joint decision referred to in paragraph (5), items (2) and (4) of this Article may reach a joint decision on a group recovery plan for the group of credit institutions in the RC covering members of the group under their competence.

(14) The decisions referred to in paragraphs (5) and (11) of this Article shall be binding for all competent authorities of the Member States where head offices are located of undertakings included in the group of credit institutions in the RC.

Assessment of group recovery plans where the Croatian National Bank is not the consolidating supervisor

Article 154c

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on:

1) the review and assessment of the group recovery plan for the group of credit institutions in the EU in accordance with Article 154a of this Act;

2) the application for a recovery plan on an individual basis for a credit institution that is part of the group of credit institutions in the EU;

3) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the EU parent credit institution;

4) the implementation of measures referred to in Article 154a, paragraphs (5) to (10) of this Act on the subsidiary member of the group of credit institutions in the EU;

(2) The Croatian National Bank may request the consolidating supervisor for a credit institution having its head office in the Republic of Croatia which is a member of a group of credit institutions in the EU to draw up a recovery plan on an individual or sub-consolidated basis.

(3) The Croatian National Bank shall participate with the competent authorities of other Member States where head offices are located of other undertakings included in the group of credit institutions in the EU in the review, in the manner referred to in Article 154a of this Act and in this Article, of whether the group recovery plan satisfies the requirements and criteria laid down in Article 154a of this Act, in this Article and in the subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act.

(4) The review referred to in paragraph (1), item (1) of this Article shall take into account the potential impact of the measures proposed in the recovery plan on the financial stability in all the Member States where the group of credit institutions in the EU operates.

(5) The joint decision shall be reached within four months of the date of the transmission by the consolidating supervisor to the Croatian National Bank of the group recovery plan for the group

of credit institutions in the EU. The Croatian National Bank shall reach a decision in conformity with that decision.

(6) Based on the decision referred to in paragraph (1) of this Article, 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.

(7) In the process of reaching a joint decision referred to in paragraph (1) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31, item (c) of Regulation (EU) No 1093/2010.

(8) Where it is assessed in the joint decision referred to in paragraph (1) of this Article that there are material deficiencies in the recovery plan, or material impediments to its implementation, the Croatian National Bank shall participate in the process of reaching a joint decision for the purposes of the procedure referred to in Article 154a, paragraphs (5) to (10) of this Act.

(9) If a joint decision referred to in paragraph (1) of this Article is not reached within four months of the date when the consolidating supervisor transmitted to the Croatian National Bank the group recovery plan for the group of institutions in the EU, the Croatian National Bank shall reach a decision on the need to draw up a recovery plan and implement measures referred to in Article 154a, paragraphs (5) to (10) of this Act for each group member for which the Croatian National Bank is the competent authority on an individual or sub-consolidated basis.

(10) By way of derogation from paragraph (9) of this Article, if, at the end of the four-month period of the date when the group recovery plan for a group of credit institutions in the EU was transmitted and prior to the reaching of a joint decision, the Croatian National Bank or any of the competent authorities of another Member State where head offices are located of other undertakings included in the group of credit institutions in the EU refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in taking a joint decision on the assessment of the recovery plan or imposing the measures referred to in Article 154a, paragraph (10), item (1), (2) or (4) of this Act 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.

(11) In the case referred to in paragraph (10) of this Article, if the European Banking Authority does not reach a decision within one month, the Croatian National Bank shall reach the decision referred to in paragraph (1), item (2) or (4) of this Article in the manner referred to in paragraph (9) of this Article.

(12) The Croatian National Bank and other competent authorities which do not disagree with the reaching of a joint decision referred to in paragraph (1) of this Article may reach a joint decision on a group recovery plan for the group of credit institutions in the EU covering members of the group under their competence.

XI DEPOSIT INSURANCE

Insured deposits

Article 155

Deleted

XII BANKING SECRECY

Banking secrecy

Article 156

(1) 'Banking secrecy' means a credit institution's obligation to protect the confidentiality of all information, facts and circumstances of which it becomes aware in the course of providing services to clients or in the course of business with individual clients. Credit institutions shall be bound by the obligation of banking secrecy.

(2) For the purposes of this Act, a credit institution's clients shall be all persons who requested or received banking and/or financial services from the credit institution.

Obligation of banking secrecy

Article 157

(1) Members of the credit institution's bodies, its shareholders or employees and other persons who, due to the nature of their business with or for the credit institution have access to confidential information, shall be bound by the obligation of banking secrecy. They may not divulge confidential information to third parties, use it against the interests of the credit institution or its clients, or enable third parties to make use of it.

(2) The persons referred to in paragraph (1) of this Article shall be bound by the obligation of banking secrecy even after the termination of their employment with the credit institution or after the termination of their status of shareholders or membership in the credit institution's bodies, as well as after the termination of their contract on the performance of activities for the credit institution.

(3) The credit institution's obligation of banking secrecy shall not include the following cases:

1) where the client explicitly agrees in writing that certain confidential information may be disclosed;

2) where this enables the credit institution to realise its interest when exercising the sale of client's receivables;

3) where confidential information is disclosed to the Croatian National Bank, the Financial Inspectorate of the Republic of Croatia or another supervisory or competent authority for the purposes of supervision or oversight within their competence;

4) where confidential information is exchanged within a group of credit institutions for the purpose of risk management;

- 5) where confidential information is disclosed to a legal person established pursuant to a special law to collect and disseminate information on the creditworthiness of legal and natural persons;
- 6) where confidential information on clients who defaulted on their obligations is disclosed to a legal person who collects and disseminates such information among credit and/or financial institutions;
- 7) where the disclosure of confidential information is essential for collecting and establishing facts in criminal or preliminary proceedings, when requested or ordered in writing by the competent court;
- 8) where the disclosure of confidential information is necessary to carry out foreclosure or bankruptcy proceedings over the property of a client, legacy proceedings or other property-rights proceedings, and such disclosure is requested or ordered in writing by the competent court or public notary in the course of performing the functions entrusted to them pursuant to law;
- 9) where the interests or obligations of a credit institution or its client require the disclosure of confidential information to establish the legal relationship between the credit institution and the client in court proceedings, arbitration proceedings or conciliation proceedings;
- 10) where confidential information is disclosed to the Office for the Prevention of Money Laundering pursuant to the law governing the prevention of money laundering and terrorist financing;
- 11) where confidential information is disclosed to the Office for the Prevention of Corruption and Organised Crime pursuant to the law governing the prevention of corruption and organised crime;
- 12) where confidential information is required by the tax authorities (Tax Administration and Customs Administration) in procedures carried out within the framework of their competence under law, and is disclosed at their written request;
- 13) where confidential information is disclosed to the State Agency for Deposit Insurance and Bank Resolution pursuant to the law governing deposit insurance;
- 14) where the account balance reflects inability to effect payments and the certificate is requested to substantiate the existence of grounds for bankruptcy;
- 15) disclosure of information to insurance undertakings within the procedure of insuring the credit institution's receivables;
- 16) disclosure of information in the course of concluding legal arrangements which have the effect of insuring the credit institution's receivables, such as derivative credit instruments, bank guarantees and similar arrangements;
- 17) disclosure of information, subject to written consent of the credit institution's management board, to a holder of a qualifying holding in the credit institution, to a person intending to acquire a qualifying holding in the credit institution, to a person to whom the credit institution is merged by acquisition or with whom the credit institution merges by formation of a new

credit institution, to a legal person intending to take over the credit institution as well as to auditors, legal and other experts authorised by a holder of a qualifying holding or a potential holder;

18) disclosure of information necessary for the exercise of the credit institution's activities which are subject to outsourcing, where information is disclosed to the providers of outsourced activities;

19) where a credit institution which provides services of storing and administering financial instruments for the account of clients, including custody services, discloses information on the holder of securities to a credit institution which is the issuer of these non-material securities at its request;

20) where confidential information is disclosed to social welfare centres at their written request, within the framework of their competence under law and for the purpose of taking measures to protect the rights of children (persons under 18) and persons under guardianship;

21) where requested in writing by a State Attorney's Office of the Republic of Croatia or where a State Attorney's Office of the Republic of Croatia orders the Ministry of the Interior in writing to collect information in preliminary proceedings;

22) where confidential information is disclosed to a co-debtor, pledgor, guarantor or another participant in the credit relationship, and only information on that credit relationship;

23) where confidential information is disclosed at written request to a person who incorrectly paid funds to an account of a credit institution's client, and only information necessary to initiate court proceedings for the repayment of incorrectly paid funds;

24) where confidential information is disclosed to resolution authorities and the Ministry of Finance in connection with the implementation of the Act on the Resolution of Credit Institutions and Investments Firms; and

25) where so provided in other laws.

(4) Disclosure of confidential information shall not be considered to include:

1) disclosure of information in collective form, such that personal or business data on a client cannot be identified; and

2) disclosure of public information from the unified register of accounts.

(5) The credit institution shall ensure that when concluding each individual contract on the provision of banking and/or financial services, the client's explicit agreement in writing referred to in paragraph (3), item (1) of this Article is given in a separate document.

(6) Where confidential information is exchanged on the basis of a written agreement of the client referred to in paragraph (3), item (1) of this Article or in accordance with paragraph (3), item (6) of this Article, the credit institution shall ensure that the following conditions are met:

– the information being disclosed is correct, complete and up-to-date;

- the client is provided access to his/her information being disclosed;
- the extent of the information thus exchanged is not larger than necessary for the purpose for which it is being exchanged; and
- the information thus received is kept for a period not longer than necessary for the purpose for which it is being disclosed.

(7) The Croatian National Bank may adopt subordinate legislation to further regulate the conditions referred to in paragraph (6) of this Article.

Use and protection of confidential information

Article 158

(1) The Croatian National Bank, courts, other supervisory authorities and other persons referred to in Article 157, paragraph (3) of this Act, shall use the confidential information they have received under the same Article exclusively for the purpose for which it has been given and may not divulge it to third parties or enable third parties to acquire and make use of such information, except in cases prescribed by law.

(2) The provision of paragraph (1) of this Article shall also apply to all natural persons who work or have worked for the Croatian National Bank, courts, other supervisory authorities or other persons referred to in Article 157, paragraph (3) of this Act in the capacity of employees or other capacities.

XIII BUSINESS BOOKS AND FINANCIAL STATEMENTS

Application of other laws and standards

Article 159

(1) A credit institution shall keep business books, other business documentation and records, evaluate assets and liabilities and prepare and publish annual financial statements and annual reports in accordance with applicable regulations and professional standards.

(2) A credit institution shall keep business books and other business documentation and records in such a manner that it is possible to verify at all times whether the credit institution operates in accordance with applicable regulations and professional standards.

Bookkeeping documents

Article 160

(1) A credit institution shall prepare, check and store bookkeeping documents in accordance with applicable regulations and professional standards.

(2) By way of derogation from paragraph (1) of this Article, a credit institution shall store for a period of at least eleven years:

1) documents relating to the opening, closing and recording of changes in payment accounts and deposit accounts;

2) documents relating to other changes not covered by item (1) of this paragraph on the basis of which data have been entered in the credit institution's business books; and

3) contracts and other documents relating to the establishment of a business relationship.

(3) The time limit referred to in paragraph (2) of this Article shall mean the period following the end of the year in which the business change occurred, i.e. in which bookkeeping documents were prepared. Where such documents relate to long-term business activities, they shall be kept for the duration of the business relationship and at least eleven years following the end of the year in which the business relationship was terminated.

(4) A credit institution shall store business books for at least eleven years starting from the last day of the business year to which the business books relate.

Chart of accounts

Article 161

(1) The Croatian National Bank may adopt subordinate legislation governing a chart of accounts for credit institutions.

(2) A credit institution shall follow the chart of accounts referred to in paragraph (1) of this Article.

Regulations on statements and reports

Article 162

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

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

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

(4) A credit institution, a branch of a credit institution of another Member State and a branch of a third-country credit institution shall deliver to the Croatian National Bank financial statements and other reports in the form and content provided for in the subordinate legislation adopted under this Article.

Delivery of statements and reports to the Croatian National Bank and their disclosure

Article 163

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

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

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

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

(2) For the purpose of paragraph (1) of this Article, a business year is a business year in accordance with the regulations governing accounting.

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

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

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

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

Delivery of information to the Croatian National Bank and their disclosure

Article 164

(1) Within the time limit referred to in Article 163, paragraph (1) of this Act, a credit institution shall deliver to the Croatian National Bank the following information relating to the preceding financial year for each Member State and third country:

1) name of the Member State and third country in which it provides services, banking and financial services it provides, the nature of its activities and their geographical location;

- 2) total turnover;
- 3) number of employees on a full time equivalent basis;
- 4) profit or loss before tax;
- 5) tax on profit or loss; and
- 6) public subsidies received.

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

(3) A credit institution shall disclose the information referred to in paragraph (1) of this Article specified by Member States and by third country, where applicable.

XIV PUBLIC DISCLOSURE

Method of and time limits for public disclosure

Article 165

(1) Credit institutions shall publish information referred to in Part Eight of Regulation (EU) No 575/2013 on their websites.

(2) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in Part Eight of Regulation (EU) No 575/2013 and impose a requirement of more frequent reporting than annually.

Public disclosure of governance information

Article 166

(1) Credit institutions shall disclose to the public the manner in which they comply with the provisions on:

- 1) the organisational structure in the manner prescribed in Article 102 of this Act and subordinate legislation adopted under Article 101, paragraph (2) of this Act;
- 2) the composition, duties and responsibilities of the management and supervisory board prescribed in Articles 35 to 49 of this Act;
- 3) the obligation of the supervisory board to establish a remuneration committee, a nomination committee and a risk committee in the manner prescribed in Articles 50 to 53 of this Act and subordinate legislation adopted under Article 50, paragraph (6) of this Act;
- 4) remuneration policies in the manner prescribed in subordinate legislation adopted under Article 101, paragraph (2), item (5) of this Act.

(2) Credit institutions shall publish and regularly update information referred to in this Article on their websites.

(3) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in this Article.

Public disclosure of organisational information

Article 167

(1) An RC parent credit institution, an EU parent credit institution having its head office in the RC and the credit institution referred to in Article 97, paragraph (2) of this Act shall publish a description of the legal relationships within its group of credit institutions in the Republic of Croatia and a description of governance arrangements and organisational structure of its group of credit institutions in the Republic of Croatia. Instead of a detailed description, a credit institution may provide references to already published, equivalent information.

(2) Credit institutions shall disclose in their annual report among the key indicators their return on assets, calculated as their net profit divided by their total balance sheet.

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

(4) The Croatian National Bank may adopt subordinate legislation to further regulate the frequency of and time limits for public disclosure of information referred to in this Article.

XV RELATIONSHIP BETWEEN THE CROATIAN NATIONAL BANK AND EXTERNAL AUDITORS

Audit requirements

Article 168

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

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

Appointment of an audit firm

Article 169

(1) The credit institution's management board shall deliver a decision to appoint an audit firm to the Croatian National Bank within eight days of the adoption of the decision.

(2) A credit institution may enter a contract for the provision of audit services only with an audit firm that meets the conditions referred to in Article 170, paragraph (2) of this Act.

(3) An audit firm shall, by 31 October of the current year, deliver to the Croatian National Bank an audit plan for the business year in question for each credit institution which has entrusted it with the carrying out of the statutory audit, indicating the areas of operation in which statutory audits will be carried out and the methodology of statutory audits planned by individual area, as well as the envisaged duration of audit.

Restrictions on statutory audits

Article 170

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

(2) The statutory audit of a credit institution may be carried out only by the audit firm in which the audit is carried out by at least two certified auditors employed with the audit firm.

(3) The statutory audit of a credit institution and an audit for the purposes of the Croatian National Bank shall be carried out by the same audit firm.

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

Protection of auditor independence

Article 171

(1) In the event of the termination of a contract on the statutory audit, the credit institution and the audit firm shall, within an appropriate time limit, explain in writing the reasons for the termination of the contract to the Croatian National Bank, i.e. where the contract was terminated by one contractual party explain the reasons for termination, and the other contractual party shall explain the reasons for termination of the contract stipulated by the first party.

(2) The audit firm carrying out the statutory audit of a credit institution shall not directly or indirectly provide to the audited credit institution, its parent undertaking or undertakings under its control in the Member States any prohibited non-audit services referred to in Article 5, paragraph (1) of Regulation (EU) No 537/2014 in:

1) the period between the beginning of the period audited and the issuing of the audit report; and

2) the financial year immediately preceding the period referred to in item (1) of this paragraph in relation to the services of designing and implementing internal control or risk management procedures related to the preparation and /or control of financial information or designing and implementing financial information technology systems.

Obligations of audit firms

Article 172

(1) An audit firm shall notify the Croatian National Bank in writing and without delay if it finds:

1) illegalities or facts and circumstances that could in any way jeopardise the ongoing functioning of the credit institution;

2) circumstances constituting the reasons for revocation of authorisation referred to in Article 69, paragraphs (1) and (2) of this Act;

3) a material difference in the assessment of risks inherent in the credit institution's operation and the valuation of its on- and off-balance sheet items and profit and loss account items;

4) material breaches of internal bylaws;

5) major weaknesses in the organisation of internal control systems or failures in the implementation of internal control systems; or

6) facts that could result in a qualified opinion, an adverse opinion or a disclaimer of an opinion on the financial statements.

(2) An audit firm shall notify the Croatian National Bank in writing of any of the facts referred to in paragraph (1) of this Article of which it becomes aware in the course of the audit of financial statements of an undertaking controlled by the credit institution.

(3) The delivery to the Croatian National Bank of the information referred to in paragraphs (1) to (2) of this Article shall not constitute a breach of the auditor's duty to protect the confidentiality of information arising under the law governing audits or arising under the contract.

(4) If an audit firm notifies the Croatian National Bank of the facts and circumstances referred to in paragraph (1) of this Article in line with paragraph (2) of this Article, it shall at the same time notify the credit institution's management board thereof, except where it deems that there are reasonable grounds to prevent such notification.

Dismissal and refusal of annual financial statements

Article 173

(1) Where an audit firm carries out a statutory audit of a credit institution contrary to Article 170 of this Act, the Croatian National Bank shall dismiss the annual financial statements of a credit institution or the annual consolidated financial statements for the year in question.

(2) Where the Croatian National Bank determines that the annual financial statements and annual consolidated financial statements have been prepared contrary to regulations or that they fail to provide a true and fair view of a financial position and performance of a credit institution or a group, or a group of credit institutions that received an unqualified or a qualified opinion

in the audit report, it will refuse the annual financial statements or annual consolidated financial statements.

(3) In the case referred to in paragraphs (1), (2) and (6) of this Article, the credit institution shall prepare its annual financial statements or annual consolidated financial statements again, ensure the statutory audit of these statements and deliver the audit report, including the relevant financial statements, to the Croatian National Bank within the time limit set in a decision by the Croatian National Bank. The new statutory audit shall not be carried out by the audit firm that issued an opinion on the annual financial statements or annual consolidated financial statements that were dismissed or refused.

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

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

(6) Where the authority competent for the supervision of persons certified to provide audit services under the law governing audit determines that the audit report fails to meet the requirements of the law governing audit and Regulation (EU) No 537/2014, the Croatian National Bank may refuse or dismiss the annual financial statements or the annual consolidated financial statements of the credit institution for which that person carried out the statutory audit.

(7) A credit institution shall not disclose annual financial statements or annual consolidated financial statements that have been dismissed or refused and shall ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed. Where annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, the credit institution shall without delay notify the Financial Agency and regulated securities markets where the securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been refused or dismissed by a decision of the Croatian National Bank. The credit institution shall without delay publish the same notification on its website.

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

Audit for the purposes of the Croatian National Bank

Article 174

(1) For the purposes of the Croatian National Bank, an audit firm shall provide an assessment of:

- 1) compliance with risk management rules;
- 2) the operations of the risk control function, the compliance function and the internal audit function;
- 3) the state of the information system and the adequacy of information system management; and
- 4) the regularity, accuracy and completeness of the reports delivered to the Croatian National Bank.

(2) The assessment referred to in paragraph (1) of this Article shall be descriptive and range from completely satisfactory to completely unsatisfactory (satisfactory, mostly satisfactory, partly satisfactory, and unsatisfactory).

(3) The Croatian National Bank may require the audit firm to provide additional information concerning the audit carried out.

(4) Where the Croatian National Bank establishes that the assessment has not been made in accordance with this Act, subordinate legislation adopted under this Act or where, in the course of the supervision of the credit institution's operation or in any other way, it establishes that the assessment is not based on true and objective facts, it may:

1) require the auditor to correct or supplement the assessment; or

2) refuse the assessment and require the credit institution to obtain another assessment by certified auditors of a different audit firm at the expense of the credit institution.

(5) The refusal of the assessment referred to in paragraph (1) of this Article shall not result in the refusal of the annual financial statements or annual consolidated financial statements for that year which received an unqualified or a qualified opinion in the audit report.

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

(7) The Croatian National Bank may adopt subordinate legislation to further regulate the methodology of the audit for the purposes of the Croatian National Bank as well as the reasons for the refusal of the assessment referred to in paragraph (1) of this Article.

XVI SUPERVISION OF CREDIT INSTITUTIONS

XVI.1 GENERAL PROVISIONS

Supervision

Article 175

(1) The Croatian National Bank shall be competent to exercise supervision of credit institutions by:

1) collecting and analysing reports and information, ongoing monitoring of the operation of credit institutions and other persons required to report to the Croatian National Bank pursuant to this Act and regulations adopted under this Act, other laws and regulations adopted under these laws or applicable regulations of the European Union;

2) carrying out on-site examinations of credit institutions' operation;

3) imposing supervisory measures (including supervisory measures in the early intervention phase); and

4) issuing opinions, authorisations and approvals and assessing credit institutions in accordance with this Act, Regulation (EU) No 575/2013, as well as other regulations of the European Union governing the operation of credit institutions.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions and methods of exercising supervision, the content of a supervisory examination programme, the conditions and methods of imposing supervisory measures, as well as obligations of the credit institution's bodies in the course of and following supervision exercised by the Croatian National Bank.

(3) By way of derogation from paragraphs (1) and (2) of this Article, where resolution proceedings are opened against a credit institution, the Croatian National Bank shall not exercise regular supervision of the institution in question during the entire resolution proceedings or until the completion of resolution proceedings.

Main objectives of supervision

Article 176

The main objectives of supervision exercised by the Croatian National Bank shall be to maintain confidence in the Croatian banking system, and promote and safeguard its safety and stability.

Oversight of the implementation of other laws

Article 177

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

– Title XXIII of this Act governing consumer protection and regulations adopted under that Title of this Act;

– the Act on the Croatian National Bank and regulations adopted under that Act;

– the Payment System Act and regulations adopted under that Act;

– the Electronic Money Act and regulations adopted under that Act; and

– other laws and regulations adopted under these laws, for which it is competent under these laws.

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

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

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

Entities subject to supervision

Article 178

(1) The following entities shall be subject to supervision:

1) credit institutions with head offices in the Republic of Croatia and their branches outside the Republic of Croatia;

2) branches of credit institutions with head offices in other Member States operating in the Republic of Croatia;

3) branches of credit institutions with head offices in third countries operating in the Republic of Croatia; and

4) credit institutions of the Member States in respect of their direct provision of services within the territory of the Republic of Croatia.

(2) For the purpose of supervising a credit institution, authorised persons of the Croatian National Bank referred to in Article 183, paragraph (2) of this Act may carry out examinations of the part of operation of persons having close links with the credit institution in question or persons to whom the credit institution has transferred a significant part of its business activities.

(3) Supervision of the operation of credit institutions may also be exercised by other institutions and supervisory authorities within the framework of their competence under law.

(4) Where a different supervisory authority is responsible for the supervision of one of the persons referred to in paragraph (2) of this Article, the Croatian National Bank may participate in the supervision of that person's operations with the respective supervisory authority or may require from that supervisory authority the data and information which would be relevant for the supervision of the credit institution in question.

(5) All provisions on the supervision of credit institutions shall apply *mutatis mutandis* to the supervision of credit institutions' representative offices operating within the territory of the Republic of Croatia.

(6) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

Collection of information by the Croatian National Bank

Article 179

(1) Holders of qualifying holdings and persons having close links with a credit institution or persons to whom a credit institution has transferred a significant part of its business activities shall, at the request of the Croatian National Bank, deliver to it appropriate reports and information which would be relevant for the purpose of supervising the credit institution in question.

(2) For the purpose of exercising its powers, the Croatian National Bank may require the following persons to provide information, including information to be provided at recurring intervals and in specified formats:

- 1) credit institutions established in the Republic of Croatia;
- 2) financial holding companies established in the Republic of Croatia;
- 3) mixed financial holding companies established in the Republic of Croatia;
- 4) mixed-activity holding companies established in the Republic of Croatia;
- 5) persons belonging to the entities referred to in items (1) to (4) of this paragraph;
- 6) third parties to whom the entities referred to in items (1) to (4) of this paragraph have outsourced operational functions or activities.

(3) To establish facts and circumstances regarding a person referred to in paragraph (2) of this Article, the Croatian National Bank may take the following actions, where necessary:

- 1) require the submission of documents from any legal or natural person for which the Croatian National Bank deems that it possesses relevant knowledge;
- 2) examine business books and documentation of any person referred to in paragraph (1) of this Article, including the taking of copies of such books and documentation;
- 3) require written and oral explanations from any person referred to in paragraph (1) of this Article, including their employees;
- 4) interview any other person who explicitly consents to be interviewed for the purpose of collecting information and for whom the Croatian National Bank deems that it possesses relevant knowledge.

(4) The Croatian National Bank may in particular request a written report or statement on the matters referred to in Article 153 of this Act from members of the credit institution's management or supervisory board or from other employees of the credit institution. In the request, the Croatian National Bank shall specify the time limit for the preparation of these reports which may not be shorter than three days.

(5) The Croatian National Bank may, subject to the other conditions set out in the regulations of the European Union, carry out an on-site examination of a person referred to in paragraph (2) of this Article and, subject to the prior notification of the competent authorities concerned, any other undertaking included in supervision on a consolidated basis where the Croatian National Bank is the consolidating supervisor, at the head office and in other localities in which that person operates.

(6) The Croatian National Bank shall obtain appropriate authorisation by a judicial authority to carry out an on-site examination referred to in paragraph (5) of this Article if such authorisation is required under national law of the country where the on-site examination is carried out.

XVI.2 SUPERVISION OF CREDIT INSTITUTIONS WITH HEAD OFFICES IN THE REPUBLIC OF CROATIA

Scope of supervision of credit institutions

Article 180

(1) In the course of supervision, the Croatian National Bank shall verify the legality of the credit institution's operation, including the organisational structure, strategies, policies, processes and procedures adopted by the credit institution to comply with the provisions of this Act, except for the provisions of Title XXIII, with subordinate legislation adopted under this Act, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 and shall evaluate:

- a) risks to which the credit institution is or might be exposed;
- b) risks that the credit institution poses to the financial system taking into account the identification and measurement of systemic risk under Article 23 of Regulation (EU) No 1093/2010, or recommendations of the European Systemic Risk Board, where appropriate; and
- c) risks revealed by stress testing taking into account the nature, scale and complexity of a credit institution's activities.

(2) On the basis of the supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall determine whether the organisational structure, strategies, policies, processes and procedures implemented by the credit institution and the own funds and liquidity held by it ensure an adequate management and coverage of its risks.

(3) In establishing the frequency and intensity of the supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the size and systematic importance of the credit institution, the nature, scale and complexity of the activities of the credit institution concerned and the principle of proportionality.

(4) The Croatian National Bank shall carry out the supervision referred to in paragraph (1) of this Article at least annually for each credit institution covered by the supervisory examination programme referred to in Article 182 of this Act.

(5) For the purposes of supervision, the Croatian National Bank shall carry out appropriate stress tests on credit institutions at least annually.

Technical criteria for supervision

Article 181

(1) In addition to credit, market and operational risks and their management, the supervision exercised by the Croatian National Bank shall include at least:

1) the results of the stress test carried out in accordance with Article 177 of Regulation (EU) No 575/2013 by credit institutions applying an internal ratings based approach;

2) the exposure to and management of concentration risk by credit institutions, including their compliance with the requirements set out in Part Four of Regulation (EU) No 575/2013 and the regulation adopted under Article 101, paragraph (2), item (1) of this Act;

3) the robustness, suitability and manner of application of the policies and procedures implemented by credit institutions for the management of the residual risk associated with the use of recognised credit risk mitigation techniques;

4) the extent to which the own funds held by a credit institution in respect of assets which it has securitised are adequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved;

5) the exposure to and management of liquidity risk by credit institutions, including the development of alternative scenario analyses, the management of risk mitigants (in particular the level, composition and quality of liquidity buffers) and effective contingency plans;

6) the impact of diversification effects and how such effects are factored in the risk measurement system;

7) the results of stress tests carried out by credit institutions using an internal model to calculate market risk own funds requirements under Part Three, Title IV, Chapter 5 of Regulation (EU) No 575/2013;

8) the geographical location of credit institutions' exposures;

9) the business model of the credit institution; and

10) the assessment of systemic risk, in accordance with Article 180 of this Act.

(2) For the purposes of supervision referred to in paragraph (1), item (5) of this Article, the Croatian National Bank shall regularly carry out a comprehensive assessment of the overall liquidity risk management by credit institutions and promote the development of sound internal methodologies, having regard to the role played by credit institutions in the financial markets. The Croatian National Bank shall monitor developments in relation to liquidity risk profiles, for example product design and volumes, risk management, funding policies and funding concentrations. The Croatian National Bank shall take effective action where such developments may lead to individual institution or systemic instability.

(3) If, in the course of supervision, it is found that a credit institution has provided implicit support to a securitisation on more than one occasion, the Croatian National Bank shall impose

supervisory measures on that credit institution reflective of the increased expectation that it will provide future support to its securitisation thus failing to achieve a significant transfer of risk.

(4) For the purposes of the determination to be made under Article 180, paragraph (3) of this Act, the Croatian National Bank shall consider whether the valuation adjustments taken for positions or portfolios in the trading book, as set out in Article 105 of Regulation (EU) No 575/2013, enable the credit institution to sell or hedge out its positions within a short period without incurring material losses under normal market conditions.

(5) In the course of supervision, in addition to the requirements referred to in paragraph (1) of this Article, the Croatian National Bank shall include the following:

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

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

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

2) the exposure of credit institutions to the risk of excessive leverage as reflected by indicators of excessive leverage, including the leverage ratio determined in accordance with Article 429 of Regulation (EU) No 575/2013. In determining the adequacy of the leverage ratio of credit institutions and of the organisational structure, strategies, policies, processes and procedures implemented by credit institutions to manage the risk of excessive leverage, the Croatian National Bank shall take into account the business model of those institutions;

3) governance arrangements of credit institutions, their corporate culture and values, and the ability of members of the management and supervisory board to perform their duties. Credit institutions shall provide the Croatian National Bank access to agendas and supporting documents for meetings of the management and supervisory board and supervisory board committees. Credit institutions shall also provide the Croatian National Bank access to the results of the internal or external evaluation of performance of the management and supervisory board members.

Supervisory examination programme

Article 182

(1) In accordance with the scope of supervision referred to in Article 180 of this Act, the Croatian National Bank shall, at least annually, adopt a supervisory examination programme for the credit institutions it supervises.

(2) Where it deems it necessary on the basis of the supervision referred to in Article 180 of this Act, the Croatian National Bank shall carry out enhanced supervision of a credit institution, among other things, so as to:

- 1) increase the number and frequency of on-site examinations of the credit institution;
- 2) appoint a trustee in accordance with the provisions of this Act;
- 3) require additional or more frequent reporting by the credit institution;
- 4) carry out additional or more frequent review of the operational, strategic or business plans of the credit institution; or
- 5) carry out supervision of a particular part of the operations and monitor risks that are likely to materialise.

(3) The Croatian National Bank may, in accordance with the provisions of this Act, carry out on-site examinations of branches of credit institutions from other Member States which provide services within the territory of the Republic of Croatia through branches, regardless of the supervisory examination programme of the competent authority of the home Member State.

Persons authorised to exercise supervision

Article 183

(1) The supervision referred to in Article 175, paragraph (1), item (1) of this Act shall be exercised by employees of the Croatian National Bank (hereinafter referred to as 'persons authorised by virtue of their employment status').

(2) The supervision referred to in Article 175, paragraph (1), item (2) of this Act shall be exercised by employees of the Croatian National Bank authorised by the Governor of the Croatian National Bank (hereinafter referred to as 'authorised persons').

(3) Exceptionally, the Governor of the Croatian National Bank may authorise a certified auditor, an audit firm or other professionally qualified persons to carry out tasks related to on-site examinations of a credit institution's operation.

(4) When carrying out the tasks related to on-site examinations of credit institutions' operation for which they have been authorised by the Governor of the Croatian National Bank, the persons referred to in paragraph (3) of this Article shall have the same powers and responsibilities as authorised persons of the Croatian National Bank.

On-site examination

Article 184

(1) A credit institution shall enable authorised persons, at their request, to carry out an on-site examination at the head office of the credit institution and in other localities in which the credit institution or another person with its authorisation carries out activities and operations subject to the supervision of the Croatian National Bank.

(2) A credit institution shall enable authorised persons, at their request, to carry out an examination of business books, business documentation, and administrative or business records as well as an examination of information and related technologies, to the extent necessary for an individual examination.

(3) A credit institution shall deliver to authorised persons, at their request, computer print-outs, copies of business books, business documentation, and administrative or business records in a paper form or in the form of an electronic record in the medium and format required by the authorised persons. The credit institution shall provide authorised persons with a standard interface providing access to the system for database management used by the credit institution, for the purpose of carrying out an examination supported by computer programmes.

(4) The examination referred to in paragraphs (1) and (2) of this Article shall be carried out by authorised persons during working hours of a credit institution. When necessary because of the scope or nature of the examination, the credit institution shall enable authorised persons to carry out the examination outside its working hours.

Notification of an on-site examination

Article 185

(1) The Croatian National Bank shall deliver a notification of an on-site examination to a credit institution at least eight days before the beginning of the on-site examination. The notification shall include the subject of supervision, details about the planned beginning and duration of the on-site examination, the name of the head of the on-site examination, the number of authorised persons carrying out the examination and information on what the credit institution should prepare for authorised persons for the purpose of carrying out the on-site examination.

(2) By way of derogation from the provision of paragraph (1) of this Article, authorised persons may deliver the notification of an on-site examination as late as the beginning of the on-site examination.

Conditions for carrying out on-site examinations

Article 186

(1) A credit institution shall provide authorised persons with adequate premises in which they can carry out an on-site examination without disturbance and without the presence of other persons.

(2) In the course of an on-site examination, a credit institution shall ensure the presence of the credit institution's authorised persons in the premises referred to in paragraph (1) of this Article, who may, at the request of authorised persons of the Croatian National Bank, provide appropriate explanations concerning the business books, business documentation, business events, and administrative or business records subject to supervision.

Examination of computerised business books and records

Article 187

(1) A credit institution which processes data by computer or keeps its business books and other records by computer shall, at the request of authorised persons, ensure the conditions and adequate means of support for the examination of business books and records, and the possibility of examining whether the computerised data have been appropriately processed.

(2) A credit institution shall submit to authorised persons documentation that provides a complete description of the accounting system's operation. The documentation must provide a clear view of the subsystems and databases of the accounting system. The documentation must enable authorised persons to gain an insight into:

- 1) programme solutions;
- 2) processing procedures for data processed by computer;
- 3) controls ensuring appropriate data processing; and
- 4) controls ensuring data confidentiality, integrity and availability.

Ongoing review of the permission to use internal approaches

Article 188

(1) The Croatian National Bank shall review on a regular basis, and at least every three years, credit institutions' compliance with the requirements regarding prior permission to use internal approaches for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013. It shall have particular regard to changes in a credit institution's business and to the implementation of those approaches to new products.

(2) Where in the procedure referred to in paragraph (1) of this Article the Croatian National Bank identifies material deficiencies in risk capture by a credit institution's internal approach, it shall impose appropriate supervisory measures on a credit institution to eliminate such deficiencies or to mitigate their consequences, including by imposing higher multiplication factors, or imposing capital add-ons.

(3) The Croatian National Bank shall in particular review and assess whether the credit institution uses well developed and up-to-date techniques and practices for internal approaches.

(4) If the procedure referred to in paragraph (1) of this Article indicates that an internal model used by the credit institution for the calculation of own funds requirements for market risks is not or is no longer sufficiently accurate due to numerous overshootings referred to in Article 366 of Regulation (EU) No 575/2013, the Croatian National Bank shall revoke the permission for using the internal model or impose appropriate supervisory measures to ensure that the model is improved as soon as possible.

(5) If a credit institution has received permission to apply an internal approach for the calculation of own funds requirements in accordance with Part Three of Regulation (EU) No 575/2013 but does not meet the requirements for applying that approach any more, the Croatian National Bank shall require the credit institution to either demonstrate that the effect of non-compliance is immaterial where applicable in accordance with Regulation (EU) No 575/2013 or present a plan for the timely restoration of compliance with the requirements and set a

deadline for its implementation. The Croatian National Bank shall require improvements to that plan if it is unlikely to result in full compliance or if the deadline is inappropriate.

(6) If, in the case referred to in paragraph (5) of this Article, the credit institution is unlikely to be able to restore compliance within an appropriate deadline and, where applicable, has not satisfactorily demonstrated that the effect of non-compliance is immaterial, the Croatian National Bank shall revoke a decision on the permission to use the internal approach or shall change it so as to limit the permission to compliant areas or those where compliance can be achieved within an appropriate deadline.

(7) In the course of the review referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the analysis and benchmarks provided by the European Banking Authority.

Supervisory benchmarking of internal approaches for calculating own funds requirements

Article 189

(1) Credit institutions which are in accordance with Regulation (EU) No 575/2013 permitted to use internal approaches for the calculation of risk weighted exposure amounts or own funds requirements except for operational risk shall report to the Croatian National Bank and the European Banking Authority the results of the calculations of their internal approaches for their exposures or positions that are included in the benchmark portfolios. Credit institutions shall in their reports submit the results of their calculations, together with an explanation of the methodologies used to produce them.

(2) The benchmark portfolio referred to in paragraph (1) of this Article shall be determined by a technical standard adopted by the European Commission. The Croatian National Bank may adopt subordinate legislation to further regulate the content of the reports referred to in paragraph (1) of this Article, and the method of and time limits for their submission and may prescribe specific portfolios for which own funds requirements are calculated.

(3) Before determining the specific portfolio referred to in paragraph (2) of this Article, the Croatian National Bank shall consult the European Banking Authority.

(4) Where the Croatian National Bank identifies that internal models used by a credit institution lead to an underestimation of own funds requirements which is not attributable to differences of the underlying risks or the exposures or positions, it shall impose necessary measures on that credit institution.

(5) The necessary measures referred to in paragraph (4) of this Article must comply with the objectives of an internal approach and therefore may not:

- a) lead to standardisation of approaches or to the use of preferred methods;
- b) create wrong incentives; or
- c) cause herd behaviour.

End of an examination of a credit institution

Article 190

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

(2) Following an examination of a credit institution, the Croatian National Bank may, depending on the findings in the report, impose supervisory measures on the credit institution, pursuant to the provisions of this Act.

(3) By way of derogation from the provisions of paragraph (1) of this Article, a report on examination findings shall not be prepared where the examination has been carried out in accordance with the provisions of Article 175, paragraph (1), item (1) of this Act and where no illegalities or weaknesses and deficiencies in the credit institution's operation have been identified that would require the imposition of supervisory measures.

(4) By way of derogation from the provisions of paragraph (1) of this Article, upon receipt of the notification of the intention to introduce an approach or model or their planned change, which requires the prior permission referred to in Article 143, paragraph (1), Article 151, paragraphs (4) and (9), Article 283, Article 312, paragraph (2) and Article 363 of Regulation (EU) No 575/2013, the Croatian National Bank shall carry out an ongoing review so as to assess these approaches or models. Pursuant to the review that is carried out prior to the submission of an application for such permission, the Croatian National Bank shall prepare a report on preliminary findings. Where the credit institution submitted an application for the permission referred to in Article 143, paragraph (1), Article 151, paragraphs (4) and (9), Article 283, Article 312, paragraph (2) and Article 363 of Regulation (EU) No 575/2013, the Croatian National Bank shall continue the review and prepare a report thereafter.

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

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

Article 190a

(1) The Croatian National Bank shall cooperate with the competent authority of the host Member State in the supervision of a credit institution providing services within the territory of that Member State through a branch.

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

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

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

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

(3) The Croatian National Bank shall without delay provide the competent authorities of host Member States with any information and findings pertaining to liquidity supervision in accordance with Part Six of Regulation (EU) No 575/2013 and the provisions of this Act governing supervision on a consolidated basis of the activities performed by the credit institution through its branches, to the extent that such information and findings are relevant to the protection of depositors or investors in the host Member State.

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

(5) The Croatian National Bank shall, at the request of the competent authorities of a host Member State, explain the manner in which it took into consideration the received information and findings delivered by that competent authority of a host Member State. Where, following communication of information and findings, the competent authorities of the host Member State maintain that no appropriate measures have been taken by the Croatian National Bank, the competent authorities of the host Member State may, after notifying the Croatian National Bank and the European Banking Authority, take appropriate measures to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(6) Where the Croatian National Bank as the competent authority of the home Member State disagrees with the measures referred to in paragraph (5) of this Article taken by the competent authorities of the host Member State, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010. The European Banking Authority shall take a decision within one month.

(7) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

On-site examination of the branch in the host Member State

Article 191

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

(2) The Croatian National Bank may request the competent authority of the host Member State in which the credit institution provides services to carry out an on-site examination of that credit

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

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

(4) Where the competent authorities of the host Member State carried out an on-site examination of a branch of a credit institution having its head office in the Republic of Croatia for reasons of stability of the financial system in the host Member State and submitted to the Croatian National Bank the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the host Member State, the Croatian National Bank shall duly take into account that information and those findings in determining its supervisory examination programme referred to in Article 182 of this Act, also having regard to the stability of the financial system in the host Member State.

Measures against branches situated in host Member States as regards the provision of services within the territory of that Member State

Article 192

(1) Where the competent authority of the host Member State in which a credit institution provides services through a branch, on the basis of information received from the Croatian National Bank in accordance with Article 190a, notifies the Croatian National Bank that the credit institution concerned, in connection with the provision of services within the territory of that Member State, does not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013, the Croatian National Bank shall, unless a decision to introduce reorganisation measures is adopted in the Republic of Croatia, without delay impose supervisory measures on the credit institution to remedy its non-compliance or measures to avert the risk of non-compliance and shall notify the competent authorities of the host Member State without delay.

(2) Where the competent authority of the host Member State considers that the Croatian National Bank has not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article 19, paragraph (3) of the Regulation within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1092/2010 assist in reaching an agreement.

(3) Where the competent authority of the host Member State that provides services through a branch has taken precautionary measures in connection with non-compliance referred to in paragraph (1) of this Article, and the Croatian National Bank disagrees with the measures taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010. If the European Banking Authority acts in accordance with that Article, it shall take a decision in accordance with Article

19, paragraph (3) of the Regulation within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement.

Notification to competent authorities of host Member States

Article 193

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

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

Article 193a

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

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

XVI.3 SUPERVISION OF CREDIT INSTITUTIONS OF OTHER MEMBER STATES PROVIDING SERVICES IN THE REPUBLIC OF CROATIA THROUGH BRANCHES OR DIRECTLY

Powers of supervision

Article 194

(1) The supervision of the compliance of branches of credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia with the regulation transposing Directive 2013/36/EU, Regulation (EU) No 575/2013 and regulations of the European Union adopted under Directive 2013/36/EU and Regulation (EU) No 575/2013 shall be exercised by the competent authority of the home Member State.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank shall be competent to exercise supervision of credit institutions with head offices in another Member State which provide mutually recognised financial services within the territory of the Republic of Croatia, in accordance with the powers referred to in this Title.

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

Article 194a

(1) A branch of a credit institution having its head office in another Member State which provides mutually recognised services within the territory of the Republic of Croatia shall deliver to the Croatian National Bank information on all services that the branch provides within the territory of the Republic of Croatia in the manner and within time limits provided for in the subordinate legislation referred to in Article 162, paragraph (2) of this Act.

(2) The Croatian National Bank shall be empowered to use the information collected pursuant to paragraph (1) of this Article:

1) for information or statistical purposes;

2) to decide on the designation of a branch as being significant in accordance with the provisions of this Act; and

3) to exercise supervision in accordance with the provisions of this Title.

(3) The Croatian National Bank shall be bound by the duty to protect the confidentiality of the information collected pursuant to Article 201 and Articles 206 to 215 of this Act.

(4) Where a branch of a credit institution having its head office in another Member State operates within the territory of the Republic of Croatia, the competent authority of the home Member State may:

1) carry out an on-site examination of the branch including the information referred to in Article 194a of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank in advance; or

2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out an on-site examination of the branch of a credit institution of that Member State within the territory of the Republic of Croatia.

(5) In the case referred to in paragraph (4), item (2) of this Article, the competent authority of the home Member State may participate in the on-site examination of the branch of a credit institution from another Member State carried out by the Croatian National Bank or a person authorised by the Croatian National Bank.

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

(7) After the on-site examination referred to in paragraph (6) of this Article, the Croatian National Bank shall communicate to the competent authorities of the home Member State the information obtained and findings that are relevant for the risk assessment of the credit institution or the stability of the financial system in the Republic of Croatia.

(8) The on-site examination of a branch of a credit institution from another Member State shall be carried out in accordance with the regulations of the Republic of Croatia.

(9) When imposing measures against branches of credit institutions of other Member States, the Croatian National Bank shall not apply discriminatory or restrictive treatment on the basis that a credit institution is authorised in another Member State.

Cooperation as regards the supervision of credit institutions having their head offices in another Member State that provide services within the territory of the Republic of Croatia

Article 194b

(1) The Croatian National Bank shall cooperate with the competent authority of the home Member State in the supervision of a credit institution having its head office in another Member State that provides services within the territory of that Member State through a branch.

(2) The Croatian National Bank and the competent authority of the home Member State, in addition to other reporting obligations under this Act, shall exchange:

1) all information concerning the management and ownership of a credit institution referred to in paragraph (1) of this Article that is likely to facilitate supervision;

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

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

(3) The Croatian National Bank may request from the competent authority of the home Member State an explanation of the manner in which it took into consideration the information and findings it communicated to it in relation to the operation of the credit institution referred to in paragraph (1) of this Article. Where, following communication of information and findings, the Croatian National Bank maintains that no appropriate measures have been taken by the competent authority of the home Member State, the Croatian National Bank may, after notifying the competent authority of the home Member State and the European Banking Authority, take appropriate measures to prevent further breaches in order to protect the general interests of depositors, investors and others to whom banking and financial services are provided or to protect the stability of the financial system.

(4) Where the competent authority of the home Member State disagrees with the measures referred to in paragraph (3) of this Article taken by the Croatian National Bank, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(5) The Croatian National Bank may refer to the European Banking Authority in accordance with Article 19 of Regulation (EU) No 1093/2010 where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time by the competent authority of another Member State.

Supervisory measures of the competent authority of the home Member State in relation to the services provided in the Republic of Croatia

Article 195

(1) Where the Croatian National Bank on the basis of the information referred to in Article 162, paragraph (2), Articles 194 and 194a of this Act establishes that a credit institution of another Member State which provides services in the Republic of Croatia does not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013 or that there is a material risk that the credit institution will not comply with the national provisions transposing Directive 2013/36/EU or the provisions of Regulation (EU) No 575/2013, all in relation to the services the credit institution provides in the Republic of Croatia, the Croatian National Bank will notify the competent authority of the home Member State thereof.

(2) Where the Croatian National Bank considers that the competent authorities of the home Member State have not taken measures to remedy the non-compliance or avert the risk of non-compliance referred to in paragraph (1) of this Article or if it deems that such measures will not be taken, it may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in which case the European Banking Authority shall take a decision in accordance with paragraph (3) of the same Article within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement.

Precautionary measures

Article 196

(1) Before initiating the procedure referred to in Article 195 of this Act and before the adoption of measures by the competent authorities of the home Member State or reorganisation measures referred to in Article 332 of this Act, the Croatian National Bank shall, in emergency situations, impose precautionary measures, where it assesses this is necessary to prevent financial instability that might seriously threaten the common interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia. The Croatian National Bank shall without delay notify the competent authorities of the home Member State in question, the European Banking Authority and the European Commission of precautionary measures taken.

(2) The precautionary measures referred to in paragraph (1) of this Article shall be proportionate to their purpose to protect against financial instability that might threaten the interests of depositors, investors and other clients of the credit institution within the territory of the Republic of Croatia. Precautionary measures may include a suspension of payment. When imposing the precautionary measures referred to in paragraph (1) of this Article, the Croatian National Bank shall take account that creditors in the Republic of Croatia of the credit institution with a head office in another Member State which provides services in the Republic of Croatia are not put in a less favourable position than creditors of the same credit institution from other Member States.

(3) Any precautionary measure referred to in paragraph (1) of this Article shall cease to have effect when the administrative, public or judicial authorities of the home Member State adopt a decision on reorganisation measures in accordance with Article 332 of this Act.

(4) The Croatian National Bank shall terminate the implementation of the precautionary measures referred to in paragraph (1) of this Article if it considers those measures to have become obsolete because the competent authorities of the home Member State have acted pursuant to the notification referred to in Article 195, paragraph (1) of this Act, unless they cease to have effect in accordance with paragraph (3) of this Article.

(5) The competent authority of the home Member State or any other Member State affected by the measure referred to in paragraph (1) of this Article may refer the matter to the European Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010 in which case the European Banking Authority shall take a decision in accordance with paragraph (3) of the same Article within 24 hours. The European Banking Authority may on its own initiative and in accordance with Article 19, paragraph (1), subparagraph (2) of Regulation (EU) No 1093/2010 assist in reaching an agreement.

Actions for preventing or punishing breaches and protecting the general good

Article 197

(1) By way of derogation from the provisions of Articles 195 and 196 of this Act, the Croatian National Bank may, within its powers under this Act, take actions for preventing or punishing breaches committed within the territory of the Republic of Croatia of the provisions of this Act or subordinate legislation transposing Directive 2013/36/EU or regulations adopted for the protection of the general good in the Republic of Croatia, for the oversight of which it is competent pursuant to these regulations. These actions may include preventing the branch of a credit institution from another Member State to conclude new legal transactions within the territory of the Republic of Croatia.

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

Measures following the withdrawal of authorisation

Article 197a

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

Supervision of credit institutions of other Member States directly providing services in the Republic of Croatia and financial institutions providing mutually recognised services within the territory of the Republic of Croatia

Article 198

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

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

XVI.4 SUPERVISION OF BRANCHES OF THIRD COUNTRY CREDIT INSTITUTIONS PROVIDING SERVICES IN THE REPUBLIC OF CROATIA

Supervision of branches of third-country credit institutions providing services in the Republic of Croatia

Article 199

The Croatian National Bank shall exercise supervision of branches of third-country credit institutions providing services in the Republic of Croatia in accordance with the method and scope of supervision of credit institutions with head offices in the Republic of Croatia.

XVI.5 SUPERVISION FEES

Annual supervision fees

Article 200

For exercising the supervision referred to in Article 175 of this Act, credit institutions with head offices in the Republic of Croatia and branches of credit institutions with head offices outside the Republic of Croatia shall pay supervision fees to the Croatian National Bank. The Croatian National Bank shall regulate the amount, the basis for and the method of calculating and paying supervision fees in subordinate legislation.

XVII COOPERATION WITH COMPETENT AUTHORITIES AND EXCHANGE OF INFORMATION

Cooperation between the competent and supervisory authorities of the Republic of Croatia

Article 201

(1) The Croatian National Bank, the Croatian Financial Services Supervisory Agency and supervisory authorities in the Republic of Croatia shall, at the request of an individual supervisory authority, deliver to that authority all information on a credit or financial institution or an investment firm necessary for the exercise of supervisory and oversight tasks with regard to the credit or financial institution or the investment firm, in authorisation or approval procedures, or when deciding on other specific applications or requests within their competence.

(2) The authorities referred to in paragraph (1) of this Article shall notify each other of revocation of authorisations, illegalities and irregularities identified in the course of supervision and oversight, and of imposed measures for their elimination if such findings and imposed measures are relevant for the operation of the other authority.

(3) Where authorities other than the Croatian National Bank have resolution powers, the Croatian National Bank and those other authorities shall exchange information on a credit institution that are necessary in the process of resolution of the credit institution.

Cooperation and exchange of information between the Croatian National Bank and the competent authorities of the Member States

Article 202

Deleted.

Deciding on the status of a significant branch operating within the territory of the Republic of Croatia

Article 203

(1) The Croatian National Bank may make a request to the consolidating supervisor for a branch of a credit institution from that Member State which provides services within the territory of the Republic of Croatia to be considered as significant. Where the credit institution from the Member State is not a member of a group of credit institutions in the EU, the Croatian National Bank shall make the request to the competent authority of the home Member State.

(2) In the request referred to in paragraph (1) of this Article, the Croatian National Bank shall provide reasons for considering the branch to be significant with particular regard to the following:

1) whether the market share of the branch of the credit institution in terms of deposits as defined in the law governing deposit insurance exceeds 2% in the Republic of Croatia;

2) the likely impact of a suspension or closure of the operations of the credit institution on systemic market liquidity and the payment, clearing and settlement systems in the Republic of Croatia; and

3) the size and the importance of the branch in terms of number of clients within the context of the banking or financial system of the Republic of Croatia.

(3) The Croatian National Bank, the competent authorities of the home Member State and, where determined, the consolidating supervisor shall cooperate in reaching a joint decision on the designation of a branch as being significant.

(4) Where the decision referred to in paragraph (3) of this Article is not reached within two months of receipt of a request referred to in paragraph (1) of this Article, the Croatian National Bank shall take its own decision within a further period of two months. In taking its own decision, the Croatian National Bank shall take into account any views of the consolidating supervisor or the competent authorities of the home Member State.

(5) The decisions referred to in paragraphs (3) and (4) of this Article shall be determinative for the competent authorities concerned, they must be written and fully reasoned, and delivered to these authorities.

(6) The adoption of the decisions referred to in paragraphs (3) and (4) of this Article shall not affect the responsibilities of the other competent authorities under this Act.

(7) Where the competent authority of the home Member State has not consulted the Croatian National Bank regarding the operational steps prescribed for liquidity recovery plans taken by the competent authority, or where the Croatian National Bank after having carried out the consultations deems that the operational steps taken by the competent authority of the home Member States are not adequate, 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.

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

(9) The Croatian National Bank shall cooperate in the college of supervisors for significant branches of credit institutions providing services within the territory of the Republic of Croatia that has been established by the competent authority of the home Member State for the purpose of cooperation laid down in Article 194a and Article 282, paragraph (1), item (3) of this Act and the exchange of information referred to in Article 288, paragraph (5), item (3) and (4) of this Act, if the competent authority of the home Member State decides to invite the Croatian National Bank to participate in the college.

*Deciding on the designation of a branch as being significant in cases where the
Croatian National Bank is the consolidating supervisor*

Article 204

(1) If the Croatian National Bank as a consolidating supervisor receives a request from the competent authorities of another Member State to consider a branch of a credit institution providing services within the territory of that Member State as significant, the Croatian National Bank shall cooperate with the competent authorities of the Member State concerned in reaching a joint decision on the designation of a branch as being significant.

(2) The decision referred to in paragraph (1) of this Article must be written and fully reasoned, and delivered to the competent authorities concerned.

(3) If no joint decision on the designation of a branch as being significant is reached within two months of receipt of a request referred to in paragraph (1) of this Article, and the competent authorities of the host Member State take their own decision on the designation of the branch as being significant within a further period of two months, that decision shall be recognised as determinative by the Croatian National Bank.

(4) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the information referred to in Article 288, paragraph (5), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 282, paragraph (1), item (3) of this Act in cooperation with the competent authorities of the host Member State.

(5) Where an emergency situation arises within the credit institution referred to in paragraph (1) of this Article, the Croatian National Bank shall without delay notify the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act and the European Systemic Risk Board.

(6) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established:

1) the risk assessment of a credit institution which has a significant branch on an individual or consolidated basis in accordance with Article 180, paragraph (1) and Article 181, paragraph (1) of this Act and, where applicable, the risk assessment referred to in Article 284, paragraphs (2) and (3) of this Act;

2) decisions on imposed supervisory measures referred to in Articles 224 and 225 of this Act in so far as those assessments are relevant to that branch; and

3) decisions regarding internal model validation in so far as those decisions are relevant for that branch.

(7) The Croatian National Bank shall consult the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established about operational steps required by liquidity recovery plans, where relevant for liquidity risks in the host Member State's currency.

Establishment of a college of supervisors for significant branches

Article 205

(1) Where a college of supervisors referred to in Article 283 of this Act has not been established and a credit institution having its head office in the Republic of Croatia has significant branches in other Member States, the Croatian National Bank shall establish and chair a college of supervisors to facilitate the cooperation under Article 190a and Article 282, paragraph (1), item (3) and the exchange of information referred to in Article 288, paragraph (5), items (3) and (4) of this Act.

(2) The establishment and functioning of the college of supervisors referred to in paragraph (1) of this Article shall be based on written arrangements determined, after consulting the competent authorities concerned, by the Croatian National Bank. The Croatian National Bank shall decide which competent authorities participate in a meeting or in an activity of the college, taking account of the potential impact of the supervisory activities to be planned on the stability of the financial system in the Member States concerned and obligations referred to in Article 204 of this Act.

(3) The Croatian National Bank shall keep all the members of the college of supervisors fully informed, in a timely manner, of the meetings planned, the main issues to be discussed and of the actions taken in those meetings or the measures carried out.

Duty to protect the confidentiality of information

Article 206

(1) Employees of the Croatian National Bank, auditors or other experts who work or have worked under authorisation of the Croatian National Bank shall be bound by the duty to protect the confidentiality of all information relating to the supervision of credit institutions of which they become aware in the course of work on behalf of the Croatian National Bank.

(2) The persons referred to in paragraph (1) of this Article shall not divulge confidential information to any person or government body whatsoever, except in summary or collective form, such that individual credit institutions cannot be identified.

(3) The duty to protect the confidentiality of information referred to in paragraph (1) of this Article shall not refer to:

1) the delivery of confidential information divulged for the purposes of the State Attorney's Office of the Republic of Croatia and the delivery of confidential information to the Office for the Prevention of Corruption and Organised Crime and to the Ministry of the Interior in the criminal or preliminary proceedings, when requested or ordered in writing by the State Attorney's Office of the Republic of Croatia, by the competent court or the competent authority of another Member State;

2) the delivery of confidential information in cases where bankruptcy or compulsory winding-up proceedings have been initiated against a credit institution or in related court proceedings, with the exception of those concerning natural or legal persons involved in attempts to reorganise that credit institution;

3) the public disclosure referred to in Article 215 of this Act;

4) communicating the results of stress tests carried out in accordance with Article 180, paragraph (5) of this Act or Article 32 of Regulation (EU) No 1093/2010; or

5) requests of the European Parliament based on the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

(4) By way of derogation from paragraphs (1) to (3) of this Article, the Croatian National Bank may exchange confidential information with the competent authorities of other Member States or communicate information to the European Banking Authority, the European Systemic Risk Board or the European Securities and Markets Authority in accordance with this Act, Regulation (EU) No 575/2013 and other applicable regulations of the European Union. The duty to protect the confidentiality of information shall also relate to this method of exchanging information.

Use of confidential information

Article 207

The Croatian National Bank may use confidential information of which it becomes aware in the course of supervision or other activities within its competence for the following purposes only:

- 1) to check that the conditions governing the issue of authorisations or approvals on which it decides pursuant to this Act are met;
- 2) to exercise supervision, on a non-consolidated and/or consolidated basis, of credit institutions, in particular with regard to the monitoring of liquidity, solvency, large exposures, administrative and accounting procedures, and internal control systems, as well as to impose supervisory measures and early intervention measures;
- 3) to exercise its resolution powers;
- 4) in misdemeanour proceedings;
- 5) in administrative court proceedings against decisions of the Croatian National Bank;
- 6) in other court proceedings related to breaches of the regulations of the European Union governing the operation of credit institutions; or
- 7) to meet the requests of the European Parliament arising from the right of inquiry set out in Article 226 of the Treaty on the Functioning of the European Union.

Exchange of information between authorities

Article 208

(1) The Croatian National Bank may communicate confidential information to the following persons in the Republic of Croatia or in the Member States for the purpose of exercising supervision, oversight and other activities for which they are responsible:

- 1) authorities responsible for the supervision of credit institutions and investment firms and other authorities responsible for the supervision of financial institutions, insurance undertakings, reinsurance undertakings, and financial markets;
- 2) authorities responsible for maintaining financial stability through the use of macroprudential regulations;
- 3) authorities carrying out reorganisation measures, as defined in Article 331 of this Act, for the purpose of maintaining financial stability;
- 4) courts and other bodies or legal persons responsible for the operations involved in the winding-up or bankruptcy of credit institutions and in other similar proceedings for the purpose of performing their duties under law;
- 5) auditors responsible for carrying out audits of investment firms and credit and financial institutions for the purpose of performing their duties under law;
- 6) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;
- 7) bodies which administer deposit insurance schemes and investor compensation schemes; and

8) resolution authorities and the Ministry of Finance pursuant to the Act on the Resolution of Credit Institutions and Investments Firms.

(2) Persons to whom the Croatian National Bank delivers confidential information in accordance with paragraph (1) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

Exchange of information with oversight authorities

Article 209

(1) The Croatian National Bank may exchange confidential information with the authorities in the Republic of Croatia or other Member States responsible for overseeing:

1) the authorities involved in the winding-up or bankruptcy of credit institutions and in other similar proceedings;

2) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

3) auditors responsible for carrying out audits of credit institutions, investment firms, insurance undertakings and financial institutions.

(2) The Croatian National Bank shall exchange confidential information with the authorities referred to in paragraph (1) of this Article if the following conditions are met:

1) the information is provided only for the purpose of performing the oversight tasks of these authorities;

2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 206 of this Act; and

3) the information that originates in another Member State may not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

(3) The Croatian National Bank may, with the aim of strengthening the stability and integrity of the financial system, exchange information with other competent authorities and bodies in the Republic of Croatia and the Member States which are responsible under law for procedures connected to breaches of company law, when requested or ordered in writing by the competent court. The Croatian National Bank shall disclose confidential information to these authorities and bodies if the following conditions are met:

1) information is divulged only in connection to breaches of company law;

2) the information received is subject to the duty to protect the confidentiality of information in accordance with Article 206 of this Act; and

3) the information that originates in another Member State may not be disclosed without the express agreement of the competent authorities of the Member State which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their agreement.

(4) Where the authorities referred to in paragraph (1) of this Article perform their tasks with the aid of persons not employed in the public sector, the Croatian National Bank may exchange the information referred to in paragraph (3) of this Article with such persons under the conditions specified in that paragraph.

(5) The authorities and bodies referred to in paragraph (3) of this Article shall communicate to the Croatian National Bank the names and precise responsibilities of the persons to whom it is to be sent.

Exchange of information concerning monetary policy, deposit insurance, systemic risk and payment system aspects

Article 210

(1) The Croatian National Bank shall communicate confidential information to the following authorities or bodies in the Republic of Croatia or in other Member States for the purposes of their tasks:

1) central banks of the European System of Central Banks and other bodies with a similar function in their capacity as monetary authorities when this confidential information is relevant for the exercise of their respective statutory tasks, including the conduct of monetary policy and related liquidity provision, oversight of payments, clearing and settlement systems and the safeguarding of stability of the financial system, and in particular in emergency situations referred to in Article 286 of this Act, when this information must be communicated without delay;

2) institutional protection schemes as referred to in Article 113, paragraph (7) of Regulation (EU) No 575/2013;

3) other public authorities responsible for overseeing payment systems; and

4) the European Systemic Risk Board, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, where the information is relevant for the exercise of their tasks under Regulations (EU) No 1092/2010, (EU) No 1094/2010 or (EU) No 1095/2010.

(2) The Croatian National Bank may request information from the authorities or bodies referred to in paragraph (1) of this Article when such information is necessary for the purpose of exercising supervision or other activities within its competence in accordance with Article 207 of this Act.

(3) The persons referred to in this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

Exchange of information with other entities

Article 211

(1) The Croatian National Bank may communicate confidential information to the ministry responsible for finance or other government bodies responsible for proposing legislation on the supervision of credit institutions, financial institutions, investment firms and insurance undertakings where necessary for the purpose of exercising supervision within their competence, and for the implementation or precautionary and resolution actions for failing credit institutions.

(2) In an emergency situation as referred to in Article 286, paragraph (1) of this Act, the Croatian National Bank shall communicate information which is relevant to the entities referred to in paragraph (1) of this Article from all Member States concerned.

(3) The Croatian National Bank may communicate confidential information relating to the prudential supervision to enquiry committees of the Croatian Parliament, the State Audit Office, and other entities in charge of enquiries if all the following conditions are met:

1) that the entities have a precise mandate under national law to investigate or scrutinise the actions of the Croatian National Bank in the exercise of supervision of credit institutions;

2) that the information is strictly necessary for fulfilling the mandate of these entities;

3) employees or members of the entities are subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act;

4) where the confidential information originates in another Member State, it may not be disclosed without the express agreement of the competent authorities which have disclosed it and solely for the purpose for which it has been given;

5) to the extent that the confidential information involves personal data, any processing by the entities shall comply with the regulation governing the protection of personal data.

(4) The Croatian National Bank may not disclose information received in accordance with Article 194, paragraphs (4) and (6), Article 206, paragraph (4) and Article 208 of this Act and information obtained in the course of an on-site examination referred to in Article 194, paragraphs (1) and (2) of this Act to the entities referred to in paragraphs (3) and (5) of this Article save with the express agreement of the competent authorities which disclosed the information or of the competent authorities of the Member State in which such an on-site examination was carried out.

(5) The Croatian National Bank may communicate the confidential information referred to in Articles 206, 207 and 212 of this Act to a clearing house which provides clearing and settlement services and is recognised under the national law governing the financial instruments market if the Croatian National Bank deems that it is necessary to communicate the information in order to ensure the proper functioning of those bodies in relation to defaults or potential defaults by market participants.

(6) The Croatian National Bank may disclose the information referred to in Article 206, paragraph (4) of this Act to the bodies referred to in paragraph (5) of this Article only with the express agreement of the competent authorities which have disclosed it.

(7) The persons referred to in paragraphs (1), (2) and (5) of this Article shall be subject to the duty to protect the confidentiality of information referred to in Article 206 of this Act.

Cooperation with the competent authorities of third countries

Article 212

(1) The Croatian National Bank may conclude an agreement on the exchange of information with one or more competent authorities of third countries or persons from third countries whose position is equal to that of the persons referred to in Articles 208 and 209 of this Act for the purpose of exercising supervision, oversight or other activities for which they are responsible.

(2) The Croatian National Bank may also communicate confidential information to persons from third countries whose position is equal to that of the authorities and persons referred to in paragraph (1) of this Article if all of the following conditions are met:

- 1) it has concluded an agreement with such persons providing for the mutual exchange of information;
- 2) persons from 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;
- 3) the information delivered to persons and authorities referred to in paragraph (1) of this Article is to be used only for the purpose of exercising supervision, oversight or other activities for which they are responsible; and
- 4) it is guaranteed that the information received from the competent authorities of the Member State shall be disclosed to third parties only with the express agreement of the authorities which have disclosed the information and solely for the purpose for which it has been given.

Processing of personal data

Article 213

The collection, processing and use of personal data shall be carried out in accordance with the provisions of the Personal Data Protection Act and Regulation (EC) No 45/2001.

Notification to the European Union bodies

Article 214

(1) The Croatian National Bank shall notify the European Commission of:

- 1) the refusal of a credit institution's application to establish a branch in another Member State, failure to communicate information, and of precautionary measures referred to in Article 197 of this Act; and
- 2) the assumption and delegation of responsibility referred to in Article 280, paragraphs (1) and (2) of this Act.

(2) The Croatian National Bank shall notify the European Commission, the European Banking Authority and the European Banking Committee of all authorisations for branches granted to credit institutions having their head office in a third country.

(3) The Croatian National Bank shall establish a list of RC parent financial holding companies referred to in Article 97, paragraph (2) of this Act and RC parent mixed financial holding companies referred to in Article 97, paragraph (2) 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.

(4) The Croatian National Bank shall notify the other competent authorities involved in supervision on a consolidated basis, the European Banking Authority and the European Commission of the procedures referred to in Article 299, paragraph (3) of this Act.

(5) The Croatian National Bank shall notify the European Banking Authority of:

1) the requirements for authorisation of credit institutions;

2) the issue and revocation of authorisations to credit institutions as well as the reasons for revocation of authorisation;

3) the refusal of a credit institution's application to establish a branch in another Member State, failure to communicate information, and of precautionary measures referred to in Article 197 of this Act;

4) data disclosed by a credit institution in accordance with Article 450, paragraph (1), items (g), (h) and (i) and Article 435, paragraph (2), item (c) of Regulation (EU) No 575/2013;

5) data on employees whose annual remuneration exceeds the amount established under the regulation referred to in Article 101, paragraph (2), item (5) of this Act;

6) the assumption and delegation of responsibility referred to in Article 280, paragraphs (1) and (2) of this Act;

7) the authorities or bodies with which it shall exchange confidential information in accordance with Article 209 of this Act;

8) all decisions in misdemeanour proceedings, legal remedies taken and the progress of proceedings;

9) the existence and content of the bilateral agreements referred to in Article 287, paragraphs (3) and (4) of this Act;

10) examination findings, where it is established that a credit institution may pose systemic risk in accordance with Article 23 of Regulation (EU) No 1093/2010;

11) the method of exercising supervision of credit institutions;

12) the methodology used to base decisions referred to in Article 180, paragraph (5), Article 181, Article 188, Article 220, paragraph (1), Article 224 and Article 225 of this Act;

13) meetings relating to the development and coordination of recovery and resolution plans, in particular of the dates and places of the meetings, the main issues to be discussed and the activities to be considered;

14) an occurrence of an emergency situation, including a situation as described in Article 18 of Regulation (EU) No 1093/2010 or a situation of adverse developments in the markets which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States; and

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

(6) The Croatian National Bank shall also notify the European Commission, the European Banking Authority, the European Banking Committee and other European Union bodies of other matters where so required by the *acquis communautaire*.

(7) Where the Croatian National Bank is the consolidating supervisor, it shall communicate to the other competent authorities concerned and the European Banking Authority all information on a group of credit institutions referred to in Article 67, paragraph (1), items (2) and (3), Article 97, paragraphs (5), (6) and (7) and Article 101 of this Act, in particular on legal relationships in a group of credit institution and the governance and organisational structure of a group of credit institutions.

(8) The Croatian National Bank may communicate to the European Banking Authority information received from the authorities referred to in Article 212 of this Act.

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

Public disclosure by the Croatian National Bank

Article 215

(1) The Croatian National Bank shall publicly disclose the following information:

1) the texts of laws, decisions, instructions and general guidance adopted in the Republic of Croatia in the field of prudential regulation;

2) the manner of exercise of the options and discretions available in the regulations of the European Union governing the operation of credit institutions;

3) the general criteria and methodologies it uses in the supervision of credit institutions referred to in Article 181 of this Act;

4) aggregate statistical data on key aspects of the implementation of the prudential framework which the Croatian National Bank collected pursuant to regulations, including the number and nature of supervisory measures taken and of penalties imposed in accordance with this Act;

5) lists of recognised exchanges and external credit assessment institutions; and

6) the dispositive parts of the decisions referred to in Article 30 of this Act.

(2) The information referred to in paragraph (1) of this Article shall be disclosed in a way which allows for meaningful comparison of the approaches adopted by the competent authorities of the different Member States. Such information shall be updated regularly and accessible at the website of the Croatian National Bank.

(3) In addition to the information referred to in paragraph (1) of this Article, the Croatian National Bank may disclose other information within its competence.

(4) The Croatian National Bank shall publish on its website decisions on penalties against which there is no appeal and which are imposed on credit institutions and responsible persons of credit institutions by misdemeanour courts and other authorities responsible for misdemeanour proceedings, adopted in proceedings in which the Croatian National Bank acts as an authorised prosecutor. The decisions shall be published without undue delay but after the person on whom the penalty is imposed is informed of those penalties.

(5) The Croatian National Bank may publish decisions it adopts in the course of exercising its powers. When the Croatian National Bank publishes such decisions, it shall also publish a decision of the administrative court adopted with regard to an appeal to the decision.

(6) Data covered by banking secrecy pursuant to the provisions of this Act shall be excluded from the publications referred to in paragraphs (4) and (5) of this Article.

(7) The Croatian National Bank shall publish decisions on penalties imposed on credit institutions and responsible persons of credit institutions by misdemeanour courts and other authorities responsible for misdemeanour proceedings on an anonymous basis in any of the following circumstances:

1) where the penalty is imposed on responsible persons of a credit institution and, following an obligatory prior assessment, the Croatian National Bank found publication of personal data to be disproportionate;

2) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;

3) where publication would cause, insofar as it can be determined, disproportionate damage to the credit institutions or natural persons involved; or

4) where the legal consequences of rehabilitation have arisen.

(8) Information referred to in paragraphs (4) and (7) of this Article shall remain on the website at least five years.

Specific requirements regarding disclosure by the Croatian National Bank

Article 216

(1) The Croatian National Bank shall publish the following information regarding exposure to transferred credit risk under Part Five of Regulation (EU) No 575/2013:

1) the general criteria and methodologies adopted to review compliance with Articles 405 to 409 of Regulation (EU) No 575/2013; and

2) a summary description of examination findings and description of the measures imposed in cases of non-compliance with Articles 405 to 409 of Regulation (EU) No 575/2013, identified on an annual basis.

(2) Where the Croatian National Bank exercises the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country;

3) on an aggregate basis for the Republic of Croatia:

– the total amount of own funds on the consolidated basis of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

– the total capital ratio, on the consolidated basis, of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country; and

– the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 on the consolidated basis of parent credit institutions in the Republic of Croatia, which benefit from the exercise of the discretion laid down in Article 7, paragraph (3) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

(3) Where the Croatian National Bank exercises the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, it shall publish the following information:

1) the criteria it applies to determine that there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities;

2) the number of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013 and the number of those which incorporate subsidiaries in a third country;

3) on an aggregate basis for the Republic of Croatia:

– the total amount of own funds of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, which are held in subsidiaries in a third country;

- the total capital ratio of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, in the form of own funds which are held in subsidiaries in a third country;
- the total capital ratio required under Article 92 of Regulation (EU) No 575/2013 of parent credit institutions which benefit from the exercise of the discretion laid down in Article 9, paragraph (1) of Regulation (EU) No 575/2013, represented by own funds which are held in subsidiaries in a third country.

XVII.a GROUP FINANCIAL SUPPORT AGREEMENTS

Group financial support agreement

Article 216a

- (1) An RC parent credit institution, an EU parent credit institution having its head office in the RC, an RC parent financial holding company, an EU parent financial holding company having its head office in the RC, an RC parent mixed financial holding company, an EU parent mixed financial holding company having its head office in the RC, an RC parent mixed-activity holding company, an EU parent mixed-activity holding company having its head office in the RC and their subsidiaries that are credit institutions, investment firms or financial institutions covered by the consolidated supervision in accordance with this Act, may conclude a group financial support agreement of a group of credit institutions in the RC in order to ensure mutual financial support when one or more signatories to the agreement meet the conditions for early intervention in accordance with Article 235 of this Act.
- (2) A credit institution may, in order to ensure mutual financial support when one or more of the signatories to the agreement meet the conditions for early intervention in accordance with Article 235 of this Act, conclude a group financial support agreement of a group of credit institutions in the EU with the following undertakings:
- 1) an EU parent credit institution with a head office outside the RC;
 - 2) an EU parent financial holding company with a head office outside the RC;
 - 3) an EU parent mixed financial holding company with a head office outside the RC;
 - 4) an EU parent mixed-activity holding company with a head office outside the RC;
 - 5) a subsidiary of the undertakings referred to in items (1) to (4) of this paragraph with a head office outside the RC, which is a credit institution, an investment firm or a financial institution;
- (3) The undertakings referred to in paragraphs (1) and (2) of this Article may conclude a group financial support agreement only if at the time of its proposal or conclusion none of the signatories to the agreement is in the early intervention phase.
- (4) The provisions of this Title shall not apply to other intra-group financing agreements within a group of credit institutions in the RC or a group of credit institutions in the EU in which none of their signatories to the agreement is in the early intervention phase at the time when the agreement is concluded, and which are not concluded for the purpose of ensuring mutual

financial support when one or more signatories to the agreement meets the conditions for early intervention in accordance with Article 235 of this Act.

(5) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution to provide financial support to another member of a group of credit institutions that experiences financial difficulties if the following conditions are met:

- 1) if it decides to do so on a case by case basis;
- 2) if the provision of such financial support is in accordance with the policies of the group of credit institutions; and
- 3) if the provision of such financial support does not represent a risk for the whole group of credit institutions.

(6) The conclusion of the agreement referred to in paragraph (1) or (2) of this Article shall not constitute a prerequisite for a credit institution which is a member of a group credit institutions in the RC or of a group of credit institutions in the EU to operate in the territory of the Republic of Croatia.

(7) The agreement referred to in paragraph (1) or (2) of this Article may provide financial support:

- 1) from the parent undertaking to subsidiaries;
- 2) from subsidiaries to the parent undertaking;
- 3) from a subsidiary to another subsidiary of the group; or
- 4) intra-group within a group of credit institutions in any other combination that is not covered by items (1) to (3) of this paragraph.

(8) The provider of financial support may provide financial support in one or more transactions in particular in one of the following manners:

- 1) in the form of a loan or credit;
- 2) in the form of guarantees or other commitments;
- 3) in the form of a lien or through the transfer of title as collateral; or
- 4) combination of items (1) to (3) of this paragraph.

(9) The form of financial support referred to in paragraph (8) of this Article shall apply to legal arrangements among signatories to the group financial support agreement, as well as to legal arrangements with third parties.

(10) In the group financial support agreement, the provider of financial support may require from the beneficiary of the support to commit to reciprocal provision of financial support to that provider of the financial support.

(11) The signatories to the group financial support agreement shall specify the principles for the calculation of interest rates and other charges for each transaction made under the agreement, whereby the interest rates and other charges shall be set at the time of the provision of financial support. When entering into the agreement and specifying the principles for the calculation of interest rates and other charges the signatories to the agreement shall comply with the following principles:

1) each signatory to the agreement must be acting freely when entering into the agreement;

2) each signatory to the agreement must be acting in its own best interest which may take into account any direct or any indirect benefit that may accrue to the signatory to the agreement as a result of the provision of the financial support;

3) each beneficiary of financial support shall disclose all relevant information to the provider of the financial support prior to the determination of interest rates and other charges for the provision of financial support and prior to the reaching of the decision to provide financial support;

4) in determining interest rates and other charges for the provision of financial support the provider of financial support may take into account information available to the provider of the financial support based on it being in the same group of credit institutions as the beneficiary of financial support and which is not publicly available; and

5) the principles of calculating interest rates and other charges for the provision of financial support are not obliged to take account of any anticipated temporary impact on market prices arising from events external to the operation of that group of credit institutions.

(12) Only signatories to the group financial support agreement may meet the obligations arising pursuant to that agreement. The obligations arising pursuant to the group financial support agreement may be met only to the signatory to that agreement.

Review of proposed agreements in cases where the Croatian National Bank is the consolidating supervisor

Article 216b

(1) An EU parent credit institution having its head office in the RC and the credit institution referred to in Article 97, paragraph (2) of this Act shall submit to the Croatian National Bank as the consolidating supervisor an application for authorisation of the group financial support agreement for the group of credit institutions in the RC (hereinafter referred to as 'support agreement in the RC'). The proposed text of the agreement and identity of members of the group of credit institutions in the RC that propose to be signatories to the agreement shall be enclosed with the application.

(2) The Croatian National Bank shall without delay forward the application referred to in paragraph (1) of this Article to the competent authority of a Member State where the head office is located of the subsidiary that proposes to be a signatory to the agreement.

(3) The Croatian National Bank and the competent authorities of other Member states where head offices are located of subsidiaries that propose to be signatories to the support agreement in the RC shall cooperate with a view to reaching a joint decision whether the conditions for the conclusion of the support agreement referred to in Article 216f, paragraph (1) of this Act are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the RC, including its fiscal consequences.

(4) The joint decision referred to in paragraph (3) of this Article shall be reached within a period of four months of receipt of the application referred to in paragraph (1) of this Article. The decision must be written and fully reasoned. The Croatian National Bank shall notify this decision to the applicant.

(5) Where the joint decision referred to in paragraph (4) of this Article is reached that the conditions referred in Article 216f, paragraph (1) of this Act are met, the Croatian National Bank shall, pursuant to that decision, grant the authorisation for the conclusion of the support agreement in the RC and deliver it to the applicant.

(6) Where the joint decision referred to in paragraph (4) of this Article is reached that the conditions referred in Article 216f, paragraph (1) of this Act are not met, the Croatian National Bank shall, pursuant to that decision, refuse the application for authorisation of the support agreement in the RC and deliver the decision on the refusal of the application to the applicant.

(7) In the process of reaching a joint decision referred to in paragraph (4) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(8) Where the joint decision referred to in paragraph (4) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision on the application referred to in paragraph (1) of this Article, taking into account the expressed views and reservations of other competent authorities. The Croatian National Bank shall notify this decision to the applicant and the other competent authorities of the Member States where the head offices are located of subsidiaries that propose to conclude the agreement.

(9) The Croatian National Bank may within the period of four months of receipt of the application referred to in paragraph (1) of this Article refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010.

(10) By way of derogation from paragraph (8) of this Article, where within four months of receipt of the application referred to in paragraph (1) of this Article by the Croatian National Bank, the Croatian National Bank or any of the competent authorities of other Member States refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 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.

(11) The credit institution referred to in paragraph (1) of this Article shall not conclude a support agreement in the RC without the approval of the Croatian National Bank.

Review of proposed agreements in cases where the Croatian National Bank is not the consolidating supervisor

Article 216c

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor of the group of credit institutions in the EU, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision whether the conditions referred to in Article 216f, paragraph (1) of this Act for the conclusion of the group financial support agreement by the group of credit institutions in the EU (hereinafter referred to as 'support agreement in the EU') are met, taking into account the potential impact of the execution of the agreement in any of the Member States where the head offices are located of any member of the group of credit institutions in the EU, including its fiscal consequences.

(2) The credit institution shall notify the Croatian National Bank of its intention to conclude a support agreement in the EU and shall not conclude such an agreement if no approval for the conclusion of the support agreement in the EU was granted by the consolidating supervisor to its parent credit institution.

(3) In the process of taking a joint decision referred to in paragraph (1) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(4) The Croatian National Bank may, within the period of four months of receipt by the consolidating supervisor of the application for the approval of the support agreement, refer the matter to the European Banking Authority and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

Approval of the support agreement by the general meeting

Article 216d

(1) After the parent credit institution obtains the approval for concluding the support agreement from the Croatian National Bank or another relevant consolidating supervisor, the management board of the credit institution proposing to conclude the support agreement shall obtain the approval of the general meeting.

(2) The agreement referred to in paragraph (1) of this Article shall have legal effects only in respect of a member of a group of credit institutions whose general meeting has authorised its management board to make its own decision whether the undertaking shall provide or receive financial support in accordance with the terms of the agreement.

(3) Where the general meeting authorises the management board of the undertaking in accordance with paragraph (2) of this Article, the provisions of the undertaking's Articles of Association or of the decision of the supervisory board laying down that certain types of activities may be performed only with the prior approval of that board shall not apply if such provisions or decisions would limit the management board in deciding whether the undertaking shall provide or receive financial support.

(4) The general meeting may revoke the authorisation referred to in paragraph (2) of this Article, in which case the support agreement shall not have legal effects on that undertaking.

(5) The credit institution shall without delay deliver the decision of the general meeting to authorise the management board and the decision to revoke the authorisation to the Croatian National Bank and all signatories to that agreement.

(6) The management board of a credit institution which is a signatory to the agreement shall report on an annual basis at a minimum to the general meeting on the performance of the agreement and on the implementation of any decision taken pursuant to the agreement.

(7) An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall ensure that all members of a group of credit institutions in the RC proposing to conclude the agreement, which are not credit institutions or investment firms act in accordance with the provisions of this Title.

Transmission of the support agreements to resolution authorities

Article 216e

(1) Credit institutions shall without delay notify the Croatian National Bank of the conclusion of support agreements and supply it with copies thereof.

(2) The Croatian National Bank shall transmit the support agreement referred to in paragraph (1) of this Article to the State Agency for Deposit Insurance and Bank Resolution.

(3) Where the Croatian National Bank is the consolidating supervisor, it shall transmit the agreement referred to in paragraph (1) of this Article to resolution authorities of the Member States where head offices are located of the members of the group of credit institutions in the RC that are signatories to the agreement.

Conditions for providing support

Article 216f

(1) A credit institution may provide support only if the following conditions are met:

1) the support provided will significantly redress the financial difficulties of the beneficiary of the support;

2) the objective of the support is to preserve or restore financial stability of the group as a whole or any of the signatories to the agreement or is in the interest of the provider of the support;

3) the support is provided on terms, including interest rates and other charges, referred to in Article 216a, paragraph (11) of this Act;

4) on the basis of the information available to the management board of the provider of the support at the time when the decision to grant support is taken, it is reasonable to expect that the beneficiary of the support will pay the interest rate and charges for the support, or if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed. Where the support is given in the form of a guarantee, other commitment or any other form, the same condition shall apply to the liability arising for the beneficiary of the support if the payment has been executed pursuant to a guarantee, other commitment or enforcement of another form of support;

5) the provision of the support would not jeopardise the liquidity or solvency of the provider of the support;

6) the provision of the support would not create a threat to financial stability of the Republic of Croatia or financial stability of another Member State where the head office is located of another signatory to the agreement;

7) the provider of the support at the time when the support is provided, complies with the requirements of Regulation (EU) No 575/2013 and Title VII. of this Act relating to capital and liquidity and any of the requirements imposed pursuant to Articles 220, 224, 225, 228 and 285 of this Act and the provision of the support shall not cause infringement of those requirements;

8) the provider of the support at the time when the support is provided complies with the requirements of Regulation (EU) No 575/2013 and this Act relating to large exposures and the provision of the support shall not cause infringement of those requirements; and

9) the provision of the support would not undermine the resolvability of the provider of the support.

(2) By way of derogation from paragraph (1) of this Article, the credit institution may provide support if the conditions referred to in paragraph (1), item (7) or (8) of this Article are not met, provided it has obtained the authorisation of the Croatian National Bank referred to in Article 216h, paragraph (7) of this Act.

(3) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions referred to in paragraph (1) of this Article and the conditions under which the Croatian National Bank may grant or partially grant the application referred to in Article 216h, paragraph (3) of this Act.

Decision to provide or receive support

Article 216g

(1) A decision to provide support shall be taken by the management board of the provider of the support. That decision must be reasoned and indicate the objective of the proposed support and shall indicate how the provision of the support complies with the conditions referred to in Article 216f, paragraph (1) of this Act.

(2) A decision to receive support shall be taken by the management board of the beneficiary of the support.

Authorisation of the Croatian National Bank to provide support

Article 216h

(1) A credit institution may provide support in accordance with the concluded support agreement if it obtained the authorisation to provide support from the Croatian National Bank. An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall notify the Croatian National Bank if its subsidiary intends to provide support.

(2) A credit institution that intends to provide support shall notify the following in advance:

- a) the consolidating supervisor;
- b) the competent authority of the beneficiary of the support; and
- c) the European Banking Authority.

(3) The application for the authorisation referred to in paragraph (1) of this Article shall be deemed valid where the following conditions are met:

- a) the application shall contain details of the proposed support and explanations thereof;
- b) a copy of the decision of the management board to provide support referred to in Article 216g, paragraph (1) of this Act shall be enclosed with to the application; and
- c) a credit institution shall deliver to the Croatian National Bank a copy of the support agreement in accordance with Article 216e, paragraph (1) of this Act.

(4) The Croatian National Bank shall adopt a decision on the application at the latest within five business days of receipt of the valid application referred to in paragraph (3) of this Act. If the Croatian National Bank fails to adopt a decision on an application within the set time limit, it shall be deemed that it has granted authorisation for the provision of financial support.

(5) The Croatian National Bank shall grant authorisation for the provision of support to a credit institution if the conditions referred to in Article 216f, paragraph (1) of this Act are met.

(6) Where it deems that the conditions referred to in Article 216f, paragraph (1) of this Act are not met, the Croatian National Bank shall refuse the application referred to in paragraph (3) of this Act. If the Croatian National Bank deems the conditions referred to in Article 216f, paragraph (1) of this Act as partially met, the Croatian National Bank may partially grant the application referred to in paragraph (3) of this Article.

(7) By way of derogation from paragraph (6) of this Article, if the conditions referred to in Article 216f, paragraph (1), item (7) or (8) of this Act are not met, the Croatian National Bank may grant or partially grant the application referred to in paragraph (3) of this Article. In such a case the Croatian National Bank shall set in its decision a time limit in which the credit

institution is obligated to restore compliance of its operations with the requirements set out in these items. Where the credit institution restores compliance of its operations to the requirements referred in Article 216f, item (7) or (8) of this Act, misdemeanour proceedings shall not be initiated.

(8) The Croatian National Bank shall without delay notify the following of the decision referred to in paragraph (5), (6) or (7) of this Article:

- 1) the consolidating supervisor;
- 2) the competent authority of the beneficiary of the support; and
- 3) the European Banking Authority.

(9) Where the Croatian National Bank receives a decision of the consolidating supervisor or any other competent authority on the refusal or partial granting of the application to provide support, it may within the period of two days refer the matter to the European Banking Authority and request its assistance in accordance with Article 31 of Regulation (EU) No 1093/2010.

(10) Where the application to provide support, based on the support agreement including a recovery plan, is refused or partially granted by any competent authority of the signatory to the agreement:

- 1) The Croatian National Bank as a consolidating supervisor shall alone or at the request of another competent authority of the signatory to the agreement to which support is refused or partially granted, initiate a reassessment of the group recovery plan for a group of credit institutions in accordance with Article 154b of this Act.
- 2) The Croatian National Bank shall, in relation to the member of a group for which it is a competent authority and which is obligated to draw up a recovery plan on an individual basis, request delivery of a revised recovery plan.

(11) Where the Croatian National Bank is not a consolidating supervisor and the application for support to the credit institution in the Republic of Croatia is refused or partially granted, and the group recovery plan includes a support agreement, the Croatian National Bank may request a reassessment of the group recovery plan of a group of credit institutions from the consolidating supervisor in accordance with Article 154c of this Act.

(12) Where the Croatian National Bank takes the decision referred to in paragraph (5), (6) or (7) of this Article or where it as a consolidating supervisor receives from another competent authority a notification of authorisation, restriction or prohibition of the provision of financial support it shall without delay notify other members of the college of supervisors and the members of the resolution college.

Notification of the decision to provide financial support and disclosure

Article 216i

(1) After a credit institution obtains authorisation from the Croatian National Bank referred to in Article 216h of this Act, it shall notify the decision to provide financial support to:

- 1) the Croatian National Bank;
- 2) the consolidating supervisor;
- 3) the competent authority of the beneficiary of the support; and
- 4) the European Banking Authority.

(2) When the Croatian National Bank as the consolidating supervisor receives from the credit institution a decision to provide financial support, it shall without delay notify other members of the college of supervisors and of the resolution college.

(3) A credit institution shall make public and update at least annually the following information:

- 1) whether it concluded a support agreement;
- 2) general terms of any such support agreement; and
- 3) the names of other signatories to the agreement.

(4) An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall for all members of a group of credit institutions in the RC which are not credit institutions having a head office in the Republic of Croatia make public and update at least annually the information referred to in paragraph (3) of this Article.

(5) Public disclosure referred to in paragraph (1) of this Article shall be made in accordance with Articles 431 to 434 of Regulation (EU) No 575/2013.

Application of the provisions of this Act to support agreements and amendments to support agreements

Article 216j

(1) Articles 146a, 146b and 146 of this Act shall not apply to the support agreement referred to in this Title of this Act.

(2) The provisions of this Title shall apply to all changes to support agreements.

XVIII SUPERVISORY MEASURES

XVIII.1 GENERAL PROVISIONS

Supervisory measures

Article 217

(1) The objective of the supervisory measures of the Croatian National Bank shall be to take actions at an early stage to improve the safety and stability of credit institutions' operation and to eliminate established illegalities.

(2) Supervisory measures shall be implemented by means of:

1) a memorandum of understanding, or

2) a decision.

(3) Supervisory measures of the Croatian National Bank shall be effective, proportionate and generally and particularly dissuasive.

Memorandum of understanding

Article 218

(1) Following an examination of a credit institution, the Croatian National Bank may conclude a memorandum of understanding with the credit institution if it finds weaknesses or deficiencies in the credit institution's operation which do not constitute a breach of regulations, if following the examination it deems it necessary that the credit institution takes actions and procedures to improve its operation, or if on the basis of information available to the Croatian National Bank it may be reasonably expected that the credit institution will breach regulations within the following 12 months.

(2) The Croatian National Bank may propose to a credit institution the conclusion of a memorandum of understanding if:

1) the credit institution has begun to eliminate weaknesses or deficiencies in the course of or immediately following the examination;

2) the credit institution is ready to commit itself to eliminating the weaknesses or deficiencies within proposed time limits and in the manner proposed;

3) the credit institution's track record with regard to measures, objections and instructions of the Croatian National Bank suggests that the credit institution will completely fulfil the commitments to be taken under the memorandum; or

4) the credit institution's track record, and the frequency of weaknesses, deficiencies or illegalities identified, suggest that the credit institution will in its future operations ensure the legality, safety and stability of operation.

(3) A memorandum of understanding shall lay down:

1) the time limit for and the method to be used by the credit institution to eliminate the weaknesses or deficiencies in its operation; and

2) the time limit for and the frequency of the credit institution's reporting to the Croatian National Bank on the fulfilment of the commitments taken under the memorandum of understanding.

Consequences of a failure to fulfil the commitments taken under a memorandum of understanding

Article 219

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 and issue the warning referred to in Article 43 of this Act to the responsible person of the credit institution's management board.

XVIII.2 ELIMINATION OF ILLEGALITIES IDENTIFIED IN THE COURSE OF SUPERVISION OF CREDIT INSTITUTIONS

Decision to impose supervisory measures

Article 220

(1) The Croatian National Bank shall adopt a decision at an early stage to impose supervisory measures on a credit institution if, within its supervisory powers, it finds:

1) that by its actions or omission of particular actions the credit institution acted contrary to this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions;

2) that on the basis of information available to the Croatian National Bank it may be reasonably expected that the credit institution will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions within the following 12 months;

3) weaknesses or deficiencies in the credit institution's operation which do not constitute a breach of regulations; or

4) that it is necessary that the credit institution takes actions and procedures to improve its operation.

(2) The decision referred to in paragraph (1) of this Article shall lay down the time limit for and the method to be used by the credit institution to eliminate the illegalities, weaknesses or deficiencies in its operation.

(3) A credit institution may, no later than 15 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 15 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.

(4) A credit institution shall implement supervisory measures in the manner and within the time limits laid down in a decision of the Croatian National Bank.

Decisions in the course of examinations

Article 221

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

- 1) authorised persons find in the course of the examination that the credit institution has not organised its operation or does not keep business books, business documentation and other business records in such a manner that it is at all times possible to verify whether the credit institution carries out its activities in accordance with risk management regulations and rules;
- 2) the credit institution carries out its activities in a manner which may worsen or jeopardise its liquidity or solvency;
- 3) the credit institution carries out its activities in a manner which makes it reasonable to expect that by the time a report on the examination findings is prepared or immediately thereafter it will breach the provisions of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions; or
- 4) it is impossible to continue the examination of the credit institution.

Certified auditor's report on the elimination of illegalities

Article 222

Where, in the course of supervision, the Croatian National Bank finds that a credit institution acts contrary to the regulations governing the keeping of business books, administrative and other records that the credit institution is required to keep, or where it finds other major illegalities, it may adopt a decision ordering the credit institution to submit to the Croatian National Bank a certified auditor's report on the elimination of these illegalities within a specified time limit.

Reporting to the Croatian National Bank on the implementation of decisions

Article 223

- (1) In its decision to impose supervisory measures, the Croatian National Bank may also order the credit institution to report to the Croatian National Bank within a specified time limit on the implementation of the measures imposed.
- (2) The credit institution shall report to the Croatian National Bank on the implementation of measures and shall enclose relevant documents and other evidence within the time limit referred to in paragraph (1) of this Article. In the cases referred to in Article 222 of this Act, the credit institution shall also deliver a certified auditor's report on the elimination of illegalities.
- (3) Where the Croatian National Bank finds that the measures imposed have not been implemented or have not been implemented within the time limit and in the manner imposed by the decision, it may adopt a decision to impose a new supervisory measure on the credit institution.

XVIII.3 TYPES OF SUPERVISORY MEASURES

Types of supervisory measures

Article 224

(1) In addition to the other measures imposed under this Act, by its supervisory measures the Croatian National Bank may in particular:

1) order a credit institution to remove the chairperson, a member or members of the management board from office and appoint a new chairperson, member or members of the credit institution's management board;

2) impose a temporary prohibition on:

– granting credits and providing recognised and other financial services to persons with inadequate creditworthiness;

– concluding transactions with individual shareholders, members of the management or supervisory board, procurators, undertakings having close links with the credit institution, and persons connected with the credit institution;

– acquiring units in investment funds;

– taking new deposits or other repayable funds from the public; or

– introducing new products;

3) impose a temporary prohibition or restriction on distributing dividends or any other form of profit, and the calculation and payment of distributions to holders of additional tier 1 instruments where the prohibition or restriction does not constitute an event of default of the credit institution;

4) limit the operations or branch network of a credit institution or request the divestment of activities that pose excessive risk to the soundness of the credit institution;

5) limit increases in a credit institution's assets and risk-bearing off-balance sheet items;

6) order the reduction of operating expenses, including restrictions on salaries and other remuneration of members of the management and supervisory board and employees of a credit institution;

7) order the implementation of measures imposing specific operating conditions on a credit institution, which may include minimum or maximum interest rates, maturities of claims and liabilities and other conditions;

8) order the sale of a credit institution's tangible and other assets;

9) order a credit institution to sell shares or holdings or to wind-up a subsidiary of the credit institution;

- 10) order a change in the areas of operation or the structure of services provided by the credit institution;
- 11) order the application of a specific provisioning policy or treatment of assets in terms of own funds requirements;
- 12) order the reduction of the risk inherent in the activities, products and systems of a credit institution;
- 13) order a credit institution to appoint appropriate committees for specific areas of operation within the competence of the supervisory board;
- 14) order a credit institution to improve or limit the use of a particular internal approach or model referred to in Article 114 of this Act;
- 15) order a credit institution to limit variable remuneration as a percentage of net revenues where it is inconsistent with the maintenance of a sound capital base;
- 16) order a credit institution to use net profits to strengthen own funds;
- 17) order a credit institution to remove from office a key function holder and appoint a new one;
- 18) order a credit institution to implement a measure recommended by the Financial Stability Board;
- 19) impose other measures in the course of oversight in accordance with Article 177 of this Act;
- 20) order a credit institution to hold own funds, in the form set by the Croatian National Bank, in excess of the requirements set out in Title VII of this Act and in Regulation (EU) No 575/2013 relating to elements of risks and risks not covered by Article 1 of that Regulation;
- 21) order a credit institution to present a plan to restore compliance with prudential requirements pursuant to this Act and to Regulation (EU) No 575/2013 and set a deadline for its implementation, including improvements to that plan regarding scope and deadline;
- 22) impose additional and/or more frequent reporting requirements, including reporting on capital and liquidity positions;
- 23) impose specific liquidity requirements, including restrictions on maturity mismatches between assets and liabilities;
- 24) require additional disclosures;
- 25) limit the granting of credits
- 26) order a reduction of or limit the credit institution's exposures;
- 27) order improvements to collection procedures concerning past due exposures;

- 28) order a correct evaluation of on- and off-balance sheet items;
 - 29) order improvements to governance arrangements in accordance with Article 101 of this Act;
 - 30) order improvements to the strategies and procedures in place to assess the adequacy of internal capital;
 - 31) order improvements to the accounting and information systems;
 - 32) order improvements to the internal control and internal audit systems;
 - 33) order other measures deemed to be appropriate and proportionate in order for the credit institution to comply with the provisions of this Act, Regulation (EU) No 575/1013 and other regulations governing the operation of credit institutions.
- (2) When imposing a supervisory measure, the Croatian National Bank shall, where applicable, order a credit institution to cease the unlawful conduct and to desist from a repetition of that conduct.
- (3) If, in the exercise of supervision, the Croatian National Bank determines that credit institutions with similar risk profiles (e.g. similar business models or geographical location of exposure) are or might be exposed to similar risks or pose a similar risk to the financial system, it may use the same method of exercising supervision and impose equal supervisory measures. The Croatian National Bank shall notify the European Banking Authority thereof.
- (4) The Croatian National Bank may identify the credit institutions referred to in paragraph (3) of this Article, applying in particular the criteria referred to in Article 181, paragraph (1), item (10) of this Act.
- (5) In the case referred to in paragraph (3) of this Article, the Croatian National Bank shall adopt subordinate legislation to lay down additional prudential requirements and limits determining special conditions for the operation of credit institutions.

Specific liquidity requirements

Article 225

- (1) For the purposes of determining the appropriate level of liquidity requirements on the basis of the supervision carried out in accordance with Article 180, paragraph (1) of this Act, the Croatian National Bank shall decide whether any imposition of a specific liquidity requirement is necessary to capture liquidity risks to which a credit institution is or might be exposed.
- (2) When adopting a decision referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account the following:
- 1) the business model of the credit institution;
 - 2) the credit institution's systems, processes and mechanisms referred to in this Act and in particular in liquidity requirements;

- 3) the findings of the supervision carried out in accordance with Article 180 of this Act;
- 4) systemic liquidity risk that threatens the stability of the financial markets of the Republic of Croatia.

Convening of the general meeting by the Croatian National Bank

Article 226

Deleted.

Participation of a representative of the Croatian National Bank at the general meeting of a credit institution

Article 227

- (1) A representative of the Croatian National Bank may participate in the general meeting and address the credit institution's shareholders before voting.
- (2) A representative of the Croatian National Bank referred to in paragraph (1) of this Article shall be appointed by a decision of the Governor of the Croatian National Bank.

Own funds requirements in excess of the minimum level

Article 228

- (1) The supervisory measure 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) 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;
 - 2) 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;
 - 3) 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;
 - 4) risks or elements of risks are not covered by the own funds requirements in the manner prescribed in the provisions of Title VII of this Act governing capital buffers or in Regulation (EU) No 575/2013;
 - 5) the risks of a credit institution are likely to be underestimated despite compliance with the provisions of this Act or the provisions of Regulation (EU) No 575/2013;

6) the supervision referred to in Article 181, paragraph (4) or 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) the sole application of other supervisory measures is unlikely to improve the organisational structure, strategies, policies, processes and procedures within an appropriate time limit;

8) a credit institution reports to the Croatian National Bank in accordance with Article 377, paragraph (5) of Regulation (EU) No 575/2013 that the stress test results referred to in that Article materially exceed its own funds requirement for the correlation trading portfolio.

(2) The Croatian National Bank may impose the supervisory measure referred to in Article 224, paragraph (1), item (20) of this Act on a credit institution in the following circumstances:

1) where the credit institution contracted an exposure to persons referred to in Article 146 of this Act without the unanimous decision of all management board members or prior approval of the supervisory board or under terms and conditions more favourable than the credit institution's common terms and conditions;

2) where it exceeds the exposure limit to persons referred to in Article 146 of this Act set in a decision by the Croatian National Bank.

(3) The Croatian National Bank shall base the decision referred to in paragraphs (1) and (2) of this Article on:

1) an assessment of the qualitative and quantitative aspects of the process and procedure for assessing internal capital adequacy in accordance with the provisions of Article 113 of this Act;

2) an assessment of governance arrangements in accordance with Article 101 of this Act and risk management regulations;

3) the findings of the supervision carried out; and

4) an assessment of systemic risk.

XVIII.4 TRUSTEE

Trustee of the Croatian National Bank

Article 229

(1) The Croatian National Bank may appoint a trustee to a credit institution where it deems that a more detailed assessment and monitoring of the credit institution's financial position and operating conditions is necessary. The Croatian National Bank may remove a trustee from office during his term of office and appoint another trustee.

(2) The Croatian National Bank may in the decision to appoint a trustee appoint one or more assistants to the trustee of which one will be appointed deputy trustee.

(3) An employee of the Croatian National Bank or another person may be appointed a trustee.

(4) A trustee and assistant trustees shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(5) The Croatian National Bank shall lay down the content of the report on the financial position referred to in Article 231 of this Act to be prepared by the trustee in the decision to appoint a trustee.

(6) The term of office of the trustee and assistant trustees shall be laid down in the decision to appoint a trustee and shall not exceed 12 months.

Trustee's powers

Article 230

(1) A credit institution shall invite the trustee to the meetings of the management and supervisory board and meetings of their bodies and shall deliver to the trustee in a timely manner all documentation relevant to follow the meetings, and the trustee shall have the right to be present at the meetings and participate in their work, but shall not have the right to vote.

(2) A trustee shall have the right to convene meetings of the management and supervisory board of the credit institution and meetings of their bodies, propose items on the agenda and submit proposals of decisions, and members of these bodies shall be obligated to attend.

(3) A trustee or assistant trustee may not transfer his powers to other persons and is responsible for his work to the Croatian National Bank.

(4) The credit institution and all its bodies shall make available to the trustee and his assistants all relevant documentation and shall provide them access to its business books.

Trustee's report on the credit institution's financial position

Article 231

(1) A trustee shall prepare a report on the credit institution's financial position and operating conditions, including an assessment of its financial stability and prospects for its continued operation (hereinafter referred to as 'the report on the financial position') and submit it to the Croatian National Bank within 30 days of appointment.

(2) The Croatian National Bank shall submit the report referred to in paragraph (1) of this Article to the credit institution to make a statement.

(3) The credit institution shall make a statement as regards the report referred to in paragraph (1) of this Article within five working days of its receipt.

Trustee's responsibility of additional reporting

Article 232

(1) A trustee shall without delay notify the Croatian National Bank of all circumstances which under his assessment may result in the credit institution failing to comply with imposed

supervisory measures and of all circumstances which under his assessment may contribute to the deterioration of the credit institution's financial position or may contribute to the conditions for early intervention referred to in Article 235 of this Act being met.

(2) Where a trustee establishes at any time that the circumstances referred to in paragraph (1) of this Article have arisen, he shall prepare a special report thereon and submit it to the Croatian National Bank.

Actions of the Croatian National Bank based on the trustee's report on the credit institution's financial position

Article 233

(1) Pursuant to the report on the financial position the Croatian National Bank may impose on the credit institution a supervisory measure referred to in Articles 224, 225, 226 and 228 of this Act.

(2) Where the Croatian National Bank based on the report on the financial position assesses that the conditions referred to in Article 235 of this Act are met, it shall impose measures in accordance with Article 235a of this Act.

Expiry of trustee's powers

Article 234

The trustee's or assistant trustee's powers shall expire on the date:

- 1) of expiry of the period laid down in the decision on appointment;
- 2) of revocation of his appointment;
- 3) of the appointment of special administration;
- 4) of the appointment of a liquidator;
- 5) of the opening of bankruptcy proceedings; or
- 6) of the appointment of resolution administration;

XIX EARLY INTERVENTION MEASURES AND PROCEDURE

XIX.1 EARLY INTERVENTION

Conditions for early intervention

Article 235

(1) The Croatian National Bank shall adopt a decision establishing that a credit institution is in an early intervention phase if any of the following conditions are met:

1) by its actions or omission of particular actions the credit institution acted contrary to this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions, to the extent that jeopardises or might jeopardise its liquidity, solvency or business continuity; or

2) where on the basis of information available to it may be reasonably expected that the credit institution will breach the provisions of this Act. Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions in the near future, to the extent that jeopardises or might jeopardise its liquidity, solvency or business continuity, due, in particular, to a rapidly deteriorating financial condition of the credit institution, including deteriorating liquidity situation, diminished capital adequacy, increasing level of leverage, non-performing loans or concentration of exposures, diminished sustainability of the business model or diminished effectiveness and reliability of the governance arrangements and the internal control systems.

(2) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions referred to in paragraph (1) of this Article.

(3) The Croatian National Bank shall without delay transmit the decision referred to in paragraph (1) of this Article to the State Agency for Deposit Insurance and Bank Resolution.

Supervisory measures in the early intervention phase

Article 235a

(1) Where the conditions referred to in Article 235, paragraph (1) of this Act are met, the Croatian National Bank, may, in addition to other measures pursuant to this Act, in particular:

1) require the credit institution to implement one or more measures set out in the recovery plan;

2) if the circumstances that the recovery plan is based on changed, require the credit institution to amend the recovery plan and submit the amended recovery plan;

3) require the credit institution to examine the credit institution's financial situation in detail, draw up an action plan to address the identified weaknesses and set a timetable for its implementation;

4) require the credit institution to draw up a plan for negotiation on restructuring of debt of the credit institution with some or all of its creditors, according to the recovery plan, where applicable;

5) require the credit institution to change its business strategy;

6) require the credit institution to change its organisational structure;

7) require the credit institution to provide all the information necessary in order to supplement the resolution plan and prepare for the possible resolution and for valuation of the assets and liabilities of the credit institution in accordance with the Act on the Resolution of Credit Institutions and Investment Firms;

8) require the credit institution to convene the general meeting with the agenda set by the Croatian National Bank and propose decisions to be adopted by the general meeting;

9) convene the general meeting of the credit institution in the manner referred to in Article 235b of this Act, set the agenda and propose decisions to be adopted by the general meeting if the credit institution failed to implement the proposed measure referred to in item (8) of this paragraph;

10) require the credit institution to remove from office or replace the person performing the function of senior management of the credit institution if the person is not of a sufficiently good repute or does not possess adequate knowledge, skills or experience required to perform their functions;

11) require the credit institution to remove from office one or more members of senior management in accordance with Article 235c of this Act;

12) revoke the approval to one or more management or supervisory board members in accordance with Article 235c of this Act and appoint one or more deputy management board members;

13) appoint an administrator in accordance with Article 235d of this Act; and

14) adopt a decision to appoint a special administration in accordance with Article 236 of this Act.

(2) The provisions of this Act relating to supervisory measures shall apply *mutatis mutandis* to the procedure of imposing measures referred to in this Article.

(3) In the appeal proceedings against the decision to impose measures referred to in this Article the administrative court may not issue a temporary measure of stay of execution.

Convening of the general meeting by the Croatian National Bank

Article 235b

(1) Where the Croatian National Bank imposes on a credit institution a measure referred to in Article 235a, paragraph (1), item (8) of this Act and the credit institution fails to fully and in a timely manner implement the measure laid down in the decision, the Croatian National Bank may convene a general meeting and propose its agenda and decisions to be adopted by the general meeting. For the purposes of the general meeting, the Croatian National Bank shall prepare a report on the credit institution's operation based on the supervision exercised and disclose it to the credit institution's shareholders.

(2) Where the Croatian National Bank convenes a general meeting pursuant to paragraph (1) of this Article in order to increase or decrease the initial capital, it shall prepare and submit a report referred to in Article 263, paragraph (3) of the Companies Act.

(3) The general meeting shall be announced at least 30 days before its convening. The date of the announcement shall not be included in that period.

(4) Shareholders may neither submit counter-proposals nor add items to the agenda proposed by the Croatian National Bank.

Removal from office of senior management and the management board of a credit institution and appointment of deputy management board members

Article 235c

(1) The Croatian National Bank may take measures referred to in paragraph (2) of this Article if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235a, paragraph (1), items (1) to (10) of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235a, paragraph (1), items (1) to (10) of this Act would not be sufficient to improve the position of the credit institution.

(2) Under the conditions referred to in paragraph (1) of this Article, the Croatian National Bank may:

1) require the credit institution to remove from office one or all members of senior management of the credit institution regardless of their repute or adequate knowledge, skills or experience required to perform their functions;

2) revoke the approval for the chairperson or a member of the management board of the credit institution regardless of their compliance with the conditions referred to in Article 38 of this Act; or

3) revoke the approval to perform the function of a member of the credit institution's supervisory board regardless of their compliance with the conditions referred to in Article 45 of this Act.

(3) In the case referred to in paragraph (2), item (2) of this Article the Croatian National Bank may appoint a deputy management board member to replace the removed member with all duties and responsibilities that the member had. The Croatian National Bank may remove a deputy management board member from office during his term of office and appoint another deputy management board member.

(4) The decision to appoint one or more deputy management board members shall specify:

- duties and responsibilities of the deputy management board member;
- the term of office for which the deputy management board member is appointed;
- time limits for regular reporting; and

– it may establish certain activities which the deputy management board member may undertake only subject to prior approval of the Croatian National Bank.

(5) The Croatian National Bank shall appoint a deputy management board member for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the deputy management board member, the Croatian National Bank shall justify its decision to the shareholders.

(6) Person appointed as deputy member of the management board shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Title II.4 of this Act shall not apply to deputy members of the management board, with the exception of the provisions of Article 36, paragraphs (4) to (6) and Article 41, paragraphs (1) to (3) of this Act.

(7) A deputy member of the management board may be an employee of the Croatian National Bank or another person and shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(8) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint a deputy member of the management board of a credit institution under an emergency procedure, at the latest within 30 days of its receipt.

(9) The powers of a deputy management board member shall expire on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of revocation of his appointment;

3) of the appointment of special administration;

4) of the appointment of a liquidator;

5) of the opening of bankruptcy proceedings; or

6) of the appointment of resolution administration.

(10) The rights and responsibilities of deputy members of the management board shall begin on the date of the adoption of the decision to appoint a deputy member of the management board regardless of the entry in the register of companies.

(11) Liability for damage caused by deputy members of the management board in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(12) The Croatian National Bank shall be responsible for the damage referred to in paragraph (11) of this Article.

(13) The Croatian National Bank shall be empowered to issue written orders and instructions to deputy members of the management board.

(14) The Croatian National Bank may in the decision to appoint a deputy management board member specify that the credit institution's management board may not adopt a decision if the decision is not voted for by the deputy management board member.

(15) Where the Croatian National Bank specified in the decision to appoint deputy management board members that the credit institution's management board may not adopt an individual decision if the decision is not voted for by the deputy management board member, this fact shall be entered in the register of companies as a limitation on the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(16) An application for entry of the limitations referred to in paragraph (15) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(17) Management and supervisory board members and all employees of the credit institution shall be required to cooperate with the deputy management board member.

Administrator

Article 235d

(1) The Croatian National Bank may appoint an administrator if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235c of this Act the financial position of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235c of this Act would not be sufficient to improve the position of the credit institution.

(2) Persons appointed administrators shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Article 229, paragraphs (2) to (6) of this Act shall apply to the appointment of administrators. The Croatian National Bank may remove an administrator from office during his term of office and appoint another administrator.

(3) The administrator referred to in paragraph (1) of this Article shall in addition to duties and responsibilities in accordance with Articles 230 to 232 of this Act have at least one of the following responsibilities:

1) providing prior approval for specific decisions of the credit institution's management and supervisory boards;

2) consult the credit institution's management and supervisory boards prior to taking decisions.

(4) The decision to appoint an administrator shall specify the duties and responsibilities of the administrator and set out the period for which the administrator is appointed and time limits for

regular reporting. The Croatian National Bank may specify certain activities which the administrator may undertake only subject to prior approval of the Croatian National Bank;

(5) In the case referred to in paragraph (3), item (1) of this Article the management and supervisory boards shall not take their own decisions and the decisions taken without prior approval of the administrator shall be null and void.

(6) In the case referred to in paragraph (3), item (2) of this Article the management and supervisory boards shall consult the administrator when taking decisions.

(7) Where the Croatian National Bank specified in the decision to appoint an administrator that the credit institution's management or supervisory board may carry out or adopt certain activities or decisions only with prior approval of the administrator, this fact shall be entered in the register of companies as a limitation of the power of representation of persons authorised to represent the credit institution that are entered in the register of companies.

(8) An application for entry of the limitations referred to in paragraph (7) of this Article in the register of companies shall be submitted by the Croatian National Bank.

(9) The Croatian National Bank shall appoint an administrator for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in Article 235, paragraph (1) of this Act continue to be met. In the case of the extension of the term of office of the administrator, the Croatian National Bank shall justify its decision to the shareholders.

(10) The competent administrative court shall decide on the appeal against a decision of the Croatian National Bank to appoint an administrator of a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

(11) Liability for damage caused by the administrator or assistants of the administrator in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(12) The Croatian National Bank shall be responsible for the damage referred to in paragraph (11) of this Article.

The powers of the administrator or the assistant shall expire on the date:

- 1) of expiry of the period laid down in the decision on appointment;
- 2) of revocation of his appointment;
- 3) of the appointment of special administration;
- 4) of the appointment of a liquidator;
- 5) of the opening of bankruptcy proceedings; or
- 6) of the appointment of resolution administration.

XIX.2 APPOINTMENT OF SPECIAL ADMINISTRATION

Decision to appoint a special administration

Article 236

(1) The Croatian National Bank may adopt a decision to appoint a special administration of a credit institution if the following conditions are met:

1) where the credit institution seriously infringes the requirements of this Act, Regulation (EU) No 575/2013 or other regulations governing the operation of credit institutions or where there are significant deficiencies in the credit institution's operation; and

2) where despite measures imposed in accordance with Article 235d of this Act the financial situation of the credit institution has not improved or where the Croatian National Bank assesses that the measure referred in Article 235d of this Act would not be sufficient to improve the situation of the credit institution.

(2) The Croatian National Bank may in the decision to appoint a special administration also appoint assistants to the special administration who will perform assistant, administrative and technical work ordered by the special administration. Assistants to a special administration shall not be members of the special administration.

(3) The decision to appoint a special administration:

– shall establish the reasons for the appointment of the special administration;

– shall appoint a chairperson and members of the special administration and may establish the scope of activities to be performed and administered by each member of the special administration;

– shall appoint assistants to the special administration;

– shall establish the period for which it is appointed;

– shall establish the content and time limits for the submission of the reports referred to in Article 244 of this Act; and

– may establish certain activities which the special administration may undertake only subject to prior approval of the Croatian National Bank.

(4) The Croatian National Bank shall appoint a special administration for a period not longer than 12 months, extendable by another 12 months where it assesses that the conditions referred to in paragraph (1) of this Article continue to be met. In the case of the extension of the term of office of the special administration, the Croatian National Bank shall make available the explanation of its decision to the shareholders.

Legal remedy against a decision to appoint a special administration

Article 237

The competent administrative court shall urgently decide on the appeal against a decision of the Croatian National Bank to appoint a special administration to a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

Members and assistants of the special administration

Article 238

(1) Members and assistants of the special administration shall be appointed to and removed from office by the Croatian National Bank.

(2) The special administration of a credit institution shall have at least two members, one of which shall be appointed the chairperson of the special administration.

(3) During the period of the special administration, the Croatian National Bank may remove from office an appointed member or assistant of the special administration and may appoint a new member or assistant of the special administration whose term of office may not exceed the original term of office of the special administration.

(4) The rights and responsibilities of the members of the special administration shall begin on the date of delivery of the decision to appoint the special administration to the credit institution regardless of the entry in the register of companies.

(5) Members of the special administration shall represent the credit institution individually.

(6) Persons appointed members of the special administration shall possess adequate knowledge and skills to perform their functions and shall not be in a conflict of interest. The provisions of Title II.4 of this Act shall not apply to members of a special administration, with the exception of the provisions of Article 36, paragraphs (4) to (6), Article 41, paragraphs (1) to (3) and Articles 48 and 49 of this Act.

(7) Members and assistants of the special administration may be employees of the Croatian National Bank or other persons and they shall have the right to receive remuneration for their work to be paid by the Croatian National Bank.

(8) The term of office of a special administration shall be terminated on the date:

1) of expiry of the period laid down in the decision on appointment;

2) of the removal from office of a special administration;

3) of the appointment of a liquidator;

4) of the opening of bankruptcy proceedings;

5) of the appointment of resolution administration; or

6) of the appointment of deputy management board members in accordance with Article 245 of this Act.

(9) The term of office of assistants to the special administration shall be terminated on the date of termination of the term of office of the special administration.

Entry in the register of companies and publication of a decision to appoint a special administration

Article 239

(1) A decision to appoint a special administration shall be entered in the register of companies. At the same time, the list of persons authorised to represent the credit institution shall also be changed accordingly.

(2) An application for entry of the data referred to in paragraph (1) of this Article shall be submitted by the special administration within three working days of the adoption of the decision to appoint the special administration of a credit institution. The decision to appoint the special administration shall be enclosed with the application.

(3) The Croatian National Bank shall deliver the decision to appoint the special administration to the credit institution, management and supervisory board members without delay.

Legal effects of a decision to appoint a special administration

Article 240

(1) On the date of the delivery of the decision to appoint a special administration to the credit institution, all rights and duties of the former management and supervisory boards shall cease and shall be entrusted to the special administration.

(2) On the date of the delivery of a decision to appoint the special administration to the credit institution, all contracts pursuant to which former management board members were employed with the credit institution shall be terminated.

(3) On the date of the delivery of the decision to appoint a special administration to the credit institution, prior approval to perform the function of the chairperson or a member of the credit institution's management board shall cease to be valid, as well as prior approval to perform the function of a credit institution's supervisory board member.

Liability for damage

Article 241

(1) Liability for damage caused by the special administration or its assistants in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.

(2) The Croatian National Bank shall be responsible for the damage referred to in paragraph (1) of this Article.

Duty to cooperate on the part of former management board members and employees of the credit institution

Article 242

- (1) Former members of the credit institution's management board and other authorised persons with special powers and responsibilities shall provide the special administration and its assistants immediate access to all business and other documentation of the credit institution and prepare a report on the transfer of operations to the special administration.
- (2) Former members of the credit institution's management board shall provide the special administration or its individual member all explanations and additional reports on the credit institution's operation.
- (3) All employees of the credit institution shall be required to cooperate with the special administration and its assistants.
- (4) Members of the special administration shall have the right to dismiss persons who hinder their work and, as circumstances may require, request the assistance of the competent body of the Ministry of the Interior.

Activities of the special administration

Article 243

- (1) The special administration shall direct the business of the credit institution.
- (2) The Croatian National Bank shall be empowered to issue written orders and instructions to the special administration.
- (3) When directing the business of the credit institution the special administration shall comply with the limitations arising from the decision of the Croatian National Bank to appoint a special administration.
- (4) Where during the term of office of the special administration the credit institution transfers deposit or credit contracts to another credit institution, such transfer may be effected without prior approval of the other contracting party to the contract being transferred.

Duties of the special administration

Article 244

- (1) After its appointment the special administration shall prepare and deliver to the Croatian National Bank, within the time limit laid down by the Croatian National Bank, a report on the credit institution's financial position and operating conditions, including an assessment of its financial soundness and the prospects for its continued operation.
- (2) By way of derogation from paragraph (1) of this Article, the special administration shall not be required to prepare and deliver the report referred to in paragraph (1) of this Article where the report has been prepared by the trustee pursuant to Article 231, paragraph (1) of this Act or administrator pursuant to Article 235d, paragraph (3) of this Act immediately prior to the appointment of the special administration.

(3) At the request of the Croatian National Bank, the special administration shall deliver additional reports and information on all matters relevant for the exercise of supervision or oversight and for assessing the credit institution's financial position and the prospects for its continued operation.

(4) The special administration shall without delay notify the Croatian National Bank of all circumstances which may contribute to the deterioration of the credit institution's financial position.

(5) The special administration shall act on the orders and instructions of the Croatian National Bank and regularly report to the Croatian National Bank on the execution of orders and instructions.

(6) The Croatian National Bank may order the special administration to convene the credit institution's general meeting with a set agenda and proposals of decisions.

(7) During the term of office of the special administration the general meeting of the credit institution may be convened only at the order or with prior approval of the Croatian National Bank. The special administration shall convene the general meeting at the latest within eight days of receipt of the order or prior approval from the Croatian National Bank referred to in paragraph (6) of this Article.

(8) The provisions of Article 235b, paragraphs (3) and (4) of this Act shall apply to the convening of the general meeting.

Appointment of deputy management board members from among the supervisory board members

Article 245

(1) Where the general meeting of a credit institution to which special administration has been appointed adopted a decision to select or appoint the new supervisory board members, until the appointment of the new management board members but not longer than three months, the rights and duties of the credit institution's management board shall be given to two supervisory board members appointed as deputy management board members by the supervisory board. The supervisory board shall appoint deputy management board members within two working days of the date of its appointment and shall without delay notify the Croatian National Bank thereof.

(2) Where the Articles of Association of a credit institution provide for the supervisory board to have three members, the general meeting shall select or appoint to the new supervisory board five members of which two with the term of office until the appointment of new management board members.

XIX.3 IMPOSING MEASURES IN THE EARLY INTERVENTION PHASE FOR A GROUP OF CREDIT INSTITUTIONS

Imposing measures in the early intervention phase where the Croatian National Bank is the consolidating supervisor

Article 245a

(1) Where any of the conditions for early intervention or for the appointment of an administrator or special administration to the EU parent credit institution having its head office in the RC are met, the Croatian National Bank as a consolidating supervisor shall notify the European Banking Authority and consult the other competent authorities within the college of supervisors on the fulfilment of the said conditions and the intention to impose the measure referred to in Article 235a, paragraph (1) of this Act on the credit institution.

(2) Upon receipt of a statement from other competent authorities within the college of supervisors or after the expiry of the time limit for submitting the statement, the Croatian National Bank may impose on the EU parent credit institution having its head office in the RC the measure referred to in Article 235a, paragraph (1) of this Act. The Croatian National Bank shall set the time limit for submitting the statement which may not be longer than five days. Prior to reaching a decision on these measures the Croatian National Bank shall take into account the impact of those measures on the members of the credit institution in the RC and other Member States.

(3) The Croatian National Bank shall notify other competent authorities within the college of supervisors and the European Banking Authority of the measure referred to in paragraph (2) of this Article.

(4) If the competent authority of another Member State where the head office is located of a subsidiary of the EU parent credit institution having its head office in the RC intends to apply any of the measures provided for in a special regulation whose content is equivalent to the content of the measures referred to the Articles 27 and 29 of Directive 2014/59/EU to that subsidiary and has notified the Croatian National Bank as a consolidating supervisor thereof, the Croatian National Bank may state its opinion on the intended measures and assess the impact of these measures on the EU parent credit institution having its head office in the RC, the group of credit institutions in the RC and other members of the group and notify the competent authority thereof within three days of receipt of the notification.

(5) Where the Croatian National Bank intends to impose the measure referred to in Article 235a, paragraph (1) of this Act on the EU parent credit institution having its head office in the RC, and where it receives a notification from one or more competent authorities of other Member States referred to in paragraph (4) of this Article, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned. The joint decision shall be reached within five days of the date when the Croatian National Bank delivered the notification of all intended measures. It 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. Based on the joint decision the Croatian National Bank shall adopt a decision and deliver it to the member of the group of credit institutions in the RC for which the Croatian National Bank is the competent authority.

(6) Where the Croatian National Bank received the notification referred to in paragraph (4) of this Article from more than one competent authority of other Member States, the Croatian National Bank as a consolidating supervisor shall notify these competent authorities of all intended measures and cooperate with them in reaching a joint decision on the possible coordination of the application of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU, in two or more credit institutions or investment firms of the same group of credit institutions in the RC in order to facilitate the implementation of measures improving the financial position of the credit institution or investment firm concerned. The joint decision shall be reached within five days of the date when the Croatian National Bank delivered the notification of all intended measures. It 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.

(7) In the process of taking a joint decision referred to in paragraph (5) or (6) of this Article, the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(8) In the event of a disagreement on the adoption of a joint decision referred to in paragraph (4) of this Article and the competent authority of another Member State where the head office is located of a subsidiary of an EU parent credit institution having its head office in the RC intends to adopt measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU within the consultation period referred to in paragraph (4) of this Article, the Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010.

(9) If the joint decision referred to in paragraph (5) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision relating to the EU parent credit institution having its head office in the RC, taking into account the expressed views and reservations of other competent authorities and the potential impact of these measures on the financial stability of the Member States concerned. The Croatian National Bank shall deliver this decision to the EU parent credit institution having its head office in the RC.

(10) By way of derogation from paragraph (2) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (8) of this Article, any of the competent authority of other Member States refers the matter to the European Banking Authority and requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in accordance with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(11) By way of derogation from paragraph (5) and (9) of this Article, where within five days of the date when the Croatian National Bank delivered the notification of the intended measures referred to in paragraph (8) of this Article, the Croatian National Bank or any of the competent authorities of other Member States refers the matter to the European Banking Authority and

requests its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority takes its decision within three days, the Croatian National Bank shall adopt the measure concerning the EU parent credit institution having its head office in the RC in accordance with that decision. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

Imposing measures in the early intervention phase where the Croatian National Bank is not the consolidating supervisor

Article 245b

(1) Where the competent authority of another Member State is also the consolidating supervisor, the Croatian National Bank may, at the request of the consolidating supervisor, state its opinion in the process of taking a decision on the imposition of measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU concerning the EU parent credit institution.

(2) Where the Croatian National Bank intends to impose the measure referred to in Article 235a, paragraph (1) of this Act on the credit institution having its head office in the Republic of Croatia, which is a subsidiary of an EU parent credit institution, it shall notify the consolidating supervisor and the European Banking Authority thereof.

(3) After consulting the consolidating supervisor which may not last longer than three days, the Croatian National Bank shall take its own decision referred to in paragraph (2) of this Article, taking into account the views of the consolidating supervisor. The Croatian National Bank shall notify the consolidating supervisor and other competent authorities within the college of supervisors and the European Banking Authority of that decision.

(4) Where more than one competent authority intends to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group of credit institutions in the EU, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on the possible coordination of the application of measures or appointment of the same temporary administrator provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27 and 29 of Directive 2014/59/EU to more than one credit institution or investment firm of the group. The joint decision shall be reached within five days of receipt of the notification from the consolidating supervisor on the intention to impose some of these measures in more than one member of the group. Based on the joint decision the Croatian National Bank shall take 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.

(5) In the process of taking a joint decision referred to in paragraph (4) of this Article the Croatian National Bank may request assistance from the European Banking Authority in accordance with Article 31 of Regulation (EU) No 1093/2010.

(6) In the event of a disagreement on the adoption of the decision referred to in paragraph (3) of this Article, which relates to the measures referred to in Article 235a of this Act whose content corresponds to the content of the measures referred to in Article 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph

(1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU and where the consolidating supervisor referred the matter to the European Banking Authority and requested its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 and where the European Banking Authority took the decision within three days of receipt of the application for assistance, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority.

(7) Where the joint decision referred to in paragraph (4) of this Article is not reached within the set time limit, the Croatian National Bank shall make its own decision to apply measures to the credit institution with a head office in the RC which is a subsidiary of a credit institution in the EU.

(8) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within the set consultation period and upon receipt of the notification from the consolidating supervisor on the intention to impose measures provided for in a special regulation whose content is equivalent to the content of the measures referred to in Articles 27, paragraph 1, item (a), relating to items (4), (10), (11) and (19) of Section A of the Annex, Article 27, paragraph (1), item (e) or Article 27, paragraph (1), item (g) of Directive 2014/59/EU to the EU parent credit institution if it disagrees with the proposal of the consolidating supervisor.

(9) The Croatian National Bank may refer the matter to the European Banking Authority and request its assistance in accordance with Article 19, paragraph (3) of Regulation (EU) No 1093/2010 within five days of receipt of the notification from the consolidating supervisor where there is a disagreement on the adoption of the joint decision referred to in paragraph (4) of this Article. Where the European Banking Authority takes its decision within three days of receipt of the application for assistance, the Croatian National Bank shall adopt a decision in conformity with that decision. Where the decision of the European Banking Authority is not reached within three days of receipt of the application for assistance, the Croatian National Bank shall reach its own decision on the imposition of these measures on the credit institution for which the Croatian National Bank is the competent authority. The period of five days shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

XIX.4 SPECIAL MANAGEMENT AND REORGANISATION OF BRANCHES OF THIRD-COUNTRY CREDIT INSTITUTIONS

Decision to appoint a special management of a branch of a third-country credit institution

Article 246

(1) The Croatian National Bank shall adopt a decision to appoint a special management of a branch of a third-country credit institution providing services in the Republic of Croatia (hereinafter referred to as 'decision on a special management') in the following cases:

1) where a branch of a third-country credit institution was ordered to implement supervisory measures and it failed to begin implementing such measures or failed to implement such

measures in a timely manner, owing to which its continued operation could jeopardise its liquidity or solvency and where a special management is necessary to protect the interests of its creditors;

2) where a branch of a third-country credit institution fails to meet any of the capital ratios referred to in Article 92 of Regulation (EU) No 575/2013 despite the supervisory measures imposed; or

3) where continued operation of a branch of a third-country credit institution would or could jeopardise its liquidity or solvency and it is necessary to protect the interests of its creditors.

(2) By way of derogation from the provisions of paragraph (1) of this Article, where the Croatian National Bank establishes the existence of facts indicating a high probability of improvement of the branch's position, it may postpone the adoption of a decision on a special management.

(3) A special management shall be appointed by a decision of the Croatian National Bank. The decision shall establish the reasons for the appointment of the special management in the case in point, the names of special management members, the scope of activities to be performed and/or administered by each member of the special management, and the duration of the special management, which may not exceed one year from the date of the adoption of the decision.

(4) The Croatian National Bank shall be competent to issue instructions to the special management for directing the business of the branch.

Legal remedy against a decision on a special management

Article 247

(1) The former management of a branch and a third-country credit institution (founder) shall have the right to appeal against the Croatian National Bank's decision on the special management to the administrative court within 30 days of the delivery of the decision in question.

2) The competent administrative court shall decide on the appeal referred to in paragraph (1) of this Article under an emergency procedure and at the latest within 30 days of its receipt.

Application of the provisions of this Act to the special management of a branch of a third-country credit institution

Article 248

The provisions of Articles 238, 239, 242, 243, 244 and 245 of this Act shall apply *mutatis mutandis* to the special management of a branch of a third-country credit institution.

Legal effects of a decision on the special management

Article 249

On the date of the delivery of a decision on the special management to a branch, all the powers of the persons formerly responsible for directing the business of the branch shall cease, with the exception of the powers referred to in Article 237, paragraph (1) and Article 256 of this Act.

XX WINDING-UP OF CREDIT INSTITUTIONS

XX.1 VOLUNTARY WINDING-UP OF CREDIT INSTITUTIONS

Initiation of voluntary winding-up proceedings

Article 250

(1) A credit institution intending to reach a decision on the dissolution of the undertaking shall prepare and deliver to the Croatian National Bank a winding-up plan, not later than three months prior to the planned invitation to convene a general meeting. The winding-up plan shall be delivered with the approval of the supervisory board of that plan.

(2) The Croatian National Bank shall, at the latest within three months of the delivery of the winding-up plan, issue a positive opinion on the winding-up plan or a decision refusing the winding-up plan.

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

(4) The general meeting of a credit institution shall not reach a decision on the dissolution of the undertaking until the Croatian National Bank issues a positive opinion of the winding-up plan referred to in paragraph (2) of this Article.

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

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

(7) As at the date of the decision on the dissolution of the undertaking, the credit institution referred to in paragraph (6) of this Article shall immediately notify the Croatian National Bank of the decision reached. The credit institution shall deliver to the Croatian National Bank an order for the transfer of assets from its accounts with the Croatian National Bank to the transaction account with another credit institution before the end of the business day preceding the day of initiation of voluntary winding-up proceedings. After the transfer of assets, the Croatian National Bank shall close the accounts of the credit institution in voluntary winding-up proceedings.

(8) Where the credit institution fails to meet the obligation referred to in paragraph (7) of this Article, the Croatian National Bank shall close the accounts of the credit institution and transfer the assets from these accounts to the account of the credit institution in voluntary winding-up proceedings opened with another credit institution upon receipt of the transfer order from the liquidator.

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

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

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

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

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

Liquidators of a credit institution in voluntary winding-up proceedings

Article 251

(1) A credit institution in voluntary winding-up proceedings shall have at least two liquidators.

(2) Only natural persons who meet the criteria laid down for members of the credit institution's management board in accordance with this Act may be appointed as liquidators of a credit institution in voluntary winding-up proceedings.

Duties of liquidators

Article 252

(1) Liquidators of a credit institution in voluntary winding-up proceedings shall finalise pending activities, collect the claims, realise assets of the credit institution and settle obligations to creditors.

(2) To the extent necessary for carrying out winding-up proceedings, liquidators may conclude new transactions.

Application of the provisions of this Act to credit institutions in voluntary winding-up proceedings

Article 253

- (1) The provisions of this Act shall apply mutatis mutandis to credit institutions in voluntary winding-up proceedings.
- (2) The expiry of the authorisation of a credit institution shall have the same legal consequences in relation to deposit insurance as the revocation of the credit institution.
- (3) The provisions of the act governing the operation of undertakings shall apply to credit institutions undergoing voluntary winding-up proceedings, unless otherwise provided for in this Act.
- (4) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of application of the provisions of this Act to credit institutions in voluntary winding-up proceedings and the obligations of credit institutions in voluntary winding-up proceedings.

Establishment of the grounds for compulsory winding-up and bankruptcy

Article 254

- (1) Where the credit institution in voluntary winding-up proceedings fails to implement the winding-up plan referred to in Article 250, paragraph (1) of this Act, and where the grounds for bankruptcy referred to in paragraph 266, item (1) or item (7) of this Act have not arisen, the Croatian National Bank may adopt a decision to initiate compulsory winding-up proceedings.
- (2) The provisions of Articles 256 to 259 and the provisions of Articles 260 to 262b of this Act shall apply mutatis mutandis in the case referred to in paragraph (1) of this Article.
- (3) Should liquidators assess in the course of voluntary winding-up proceedings of a credit institution that any of the grounds referred to in the Bankruptcy Act have arisen, they shall without delay submit a request to open bankruptcy proceedings against a credit institution in voluntary winding-up proceedings and shall immediately notify the Croatian National Bank thereof.
- (4) Where it establishes the existence of the grounds for bankruptcy referred to in Article 266, item (1) or (7) of this Act for a credit institution in voluntary winding-up, the Croatian National Bank may submit a request to open bankruptcy proceedings.
- (5) The provisions of Articles 264, 266, 269 and 271 to 275a of this Act shall apply mutatis mutandis in cases where the request to open bankruptcy proceedings against a credit institution in voluntary winding-up proceedings is submitted by the Croatian National Bank.

Prohibition of changes in the activity of credit institutions in voluntary winding-up proceedings

Article 254a

A credit institution that initiated voluntary winding-up proceedings may not change its activity so as to cease providing banking services and continue operating, but must close the winding-up proceedings and apply for its removal from the register of companies.

XX.2 COMPULSORY WINDING-UP OF CREDIT INSTITUTIONS

Initiation of compulsory winding-up proceedings

Article 255

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

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

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

Legal remedy against a decision on the compulsory winding-up

Article 256

The competent administrative court shall urgently decide on the appeal against a decision of the Croatian National Bank to initiate the compulsory winding-up of a credit institution under an emergency procedure and at the latest within 30 days of its receipt.

Publication of a decision on the compulsory winding-up

Article 257

(1) The Croatian National Bank shall deliver a decision on the compulsory winding-up of a credit institution to the State Agency for Deposit Insurance and Bank Resolution on the date of the adoption of the decision.

(2) The Croatian National Bank shall publish a decision to initiate the compulsory winding-up in the Official Gazette and at least two daily newspapers published in the Republic of Croatia.

(3) Liquidators of a credit institution in compulsory winding-up proceedings shall immediately upon their appointment publish the decision to initiate compulsory winding-up proceedings on the website of the credit institution in compulsory winding-up proceedings.

Liquidators in compulsory winding-up proceedings

Article 258

- (1) Within 24 hours of receipt of the decision referred to in Article 255 of this Act, the State Agency for Deposit Insurance and Bank Resolution shall appoint two or more liquidators. Liquidators shall within three days of the adoption of a decision to appoint a liquidator apply for the entry of the decision in the register of companies and apply for a change in the list of persons authorised to represent the credit institution.
- (2) Only persons who possess adequate knowledge, skills and experience required to direct the business of a credit institution and who meet the criteria laid down for members of the management board pursuant to the provisions of the Companies Act may be appointed as liquidators.
- (3) The State Agency for Deposit Insurance and Bank Resolution shall be empowered to issue written orders and instructions to liquidators.
- (4) Liquidators shall act on the orders and instructions of the State Agency for Deposit Insurance and Bank Resolution and regularly notify it on the execution of orders and instructions, in particular on the economic and financial situation of the credit institution and on the measures they undertook in the conduct of their duties.
- (5) Liquidators shall without delay notify the State Agency for Deposit Insurance and Bank Resolution and the Croatian National Bank on all circumstances which might have a negative effect on the compulsory winding-up proceedings.
- (6) Liability for damage caused by the liquidators in the course of performance of their duties within the framework of this Act shall exist only if the damage has been caused intentionally or as a result of gross negligence.
- (7) The State Agency for Deposit Insurance and Bank Resolution may remove a liquidator from office and appoint a new one.
- (8) The provisions of Article 242 of this Act shall apply *mutatis mutandis* to the duty to cooperate on the part of former management board members and employees of the credit institution in compulsory winding-up proceedings with the liquidator.

Legal effects of the compulsory winding-up

Article 259

- (1) On the date of the delivery of the decision to appoint a liquidator of a credit institution, all the powers of former members of the credit institution's management and supervisory board and of its general meeting shall cease.
- (2) In the course of compulsory winding-up proceedings, the powers of the credit institution's supervisory board and of its general meeting shall be exercised by the State Agency for Deposit Insurance and Bank Resolution.

(3) On the date of the delivery of the decision to appoint a liquidator all contracts pursuant to which former management board members were employed with the credit institution shall be terminated.

(4) On the date of the delivery of the decision to appoint a liquidator the prior approval to perform the function of the chairperson or a member of the credit institution's management board shall cease to be valid, as well as the prior approval to perform the function of a credit institution's supervisory board member.

Temporary restrictions after the adoption of the decision to initiate compulsory winding-up proceedings

Article 259a

(1) The decision to initiate compulsory winding-up proceedings against a credit institution shall have the following effects:

1) temporary restriction of executions of orders for forced collection of payments debited to the account of a credit institution in compulsory winding-up proceedings and to the accounts of clients of the credit institution in compulsory winding-up proceedings in accordance with the law governing the execution of cash assets;

2) temporary restriction of credit institution's payments from all its accounts for its own account and of payments to its accounts;

3) temporary restriction to the credit institution in compulsory winding-up proceedings to provide payment services to its clients;

4) temporary restriction to the credit institution in compulsory winding-up proceedings to carry out payments and transfers from the accounts of its clients;

(2) By way of derogation from paragraph (1) of this Article, payments are permitted by means of which debtors meet their obligations towards the credit institution in compulsory winding-up proceedings as follows:

1) cash payments to the credit institution in compulsory winding-up proceedings; and

2) payments to a transaction account opened by the credit institution in compulsory winding-up proceedings with another credit institution in accordance with Article 259b, paragraphs (1) and (2) of this Act.

(3) By way of derogation from paragraph (1) of this Article, the liquidator may execute cash payments to the transaction account referred to in paragraph (2), item (2) of this Article.

(4) By way of derogation from paragraph (1) of this Article, the Croatian National Bank shall carry out final settlement of payment transactions calculated in another payment system at the account of the credit institution in compulsory winding-up proceedings up to the moment of the opening of insolvency proceedings against that credit institution. The settlement shall be carried out pursuant to the rules of the payment system from the funds the credit institution set aside

for this purpose with the Croatian National Bank prior to the moment of the opening of insolvency proceedings.

(5) By way of derogation from paragraph (1) of this Article, for all payments to accounts of the credit institution in compulsory winding-up proceedings opened with other credit institutions within or outside the Republic of Croatia, effected contrary to paragraphs (1) and (2) of this Article after the moment referred to in paragraph (6) of this Article, the credit institution in compulsory winding-up proceedings shall repay the funds to the payer or take reasonable measures for the purpose of the transfer of the money to the beneficiary of the payment transaction. The funds of the credit institution in compulsory winding-up proceedings received in this manner shall not constitute a part of the estate in the winding-up or bankruptcy proceedings opened against the credit institution.

(6) The Croatian National Bank shall immediately publish on its website the notification of the decision referred to in paragraph (1) of this Article. The notification shall contain data on the date, hour and minute specified in the dispositive part of the decision referred to in paragraph (1) of this Article. The Croatian National Bank shall without delay publish the notification in question in at least two daily newspapers published in the Republic of Croatia, including the information on the effects referred to in paragraphs (1) and (2) of this Article.

(7) The date, hour and minute specified in the decision referred to in paragraph (1) of this Article shall be the moment of the opening of insolvency proceedings against that credit institution in terms of the law governing settlement finality in payment systems.

(8) The Croatian National Bank shall without delay deliver notification of the decision referred to in paragraph (1) of this Article to the Financial Agency, the Croatian Financial Services Supervisory Agency and the credit institution in compulsory winding-up proceedings via fax or email.

(9) The liquidator in the name of the credit institution in compulsory winding-up proceedings and creditors of the institution shall have the right to challenge all payments, transfers and payment transactions effected contrary to the temporary restrictions referred to in paragraph (1) of this Article after the point in time referred to in paragraph (6) of this Article, with the exception of the payments executed in accordance with paragraphs (2) and (10) of this Article.

(10) By way of derogation from paragraph (1) of this Article, subject to the approval of the State Agency for Deposit Insurance and Bank Resolution, the liquidator may execute payments from cash assets of the credit institution in compulsory winding-up proceedings and accounts referred to in paragraph (2), item (2) of this Article only if such payments are necessary to protect the credit institution's assets.

(11) The restrictions referred to in paragraph (1) of this Article shall cease to apply upon the closing of the account held with the Croatian National Bank or on the date, hour and minute of the opening of the bankruptcy proceedings.

(12) If a court dismisses or refuses the request to open bankruptcy proceedings, temporary restrictions referred to in paragraph (1) of this Article shall cease to apply upon the expiry of the period of two working days from the date when the credit institution in compulsory winding-up proceedings received the decision on the dismissal or refusal of the request.

Duties of liquidators

Article 259b

(1) Liquidators shall within one working day of the appointment open a transaction account of the credit institution in compulsory winding-up proceedings for the purposes of Article 259a, paragraph (2), item (2) of this Act with another credit institution, or where transaction accounts have already been opened, specify one for that purpose and shall without delay notify the Croatian National Bank and the debtors of the credit institution in compulsory winding-up proceedings accordingly.

(2) The credit institution that is requested by the credit institution in compulsory winding-up proceedings to open the account referred to in paragraph (1) of this Article, shall open such account pursuant to the decision of the Croatian National Bank to initiate compulsory winding-up proceedings and the decision to appoint a liquidator even prior to their entry in the register of companies. After the entry of the winding-up proceedings in the register of companies, the credit institution in compulsory winding-up proceedings shall without delay deliver the decision on the entry to the credit institution with which it opened the transaction account.

(3) The liquidator shall within 15 working days of the date of the adoption of the decision referred to in Article 259a, paragraph (1) of this Act prepare the opening liquidation balance sheet and pursuant to the negotiations with the creditors relating to the manner and time limits for meeting their claims prepare an assessment of the feasibility of liquidation and shall without delay deliver them to the Croatian National Bank and the State Agency for Deposit Insurance and Bank Resolution.

(4) Where within the time limit referred to in paragraph (3) of this Article it did not come to the unavailability of deposits, the Croatian National Bank may, at the request of the liquidator, extend the time limit referred to in paragraph (3) of this Article by additional 15 working days.

(5) The liquidator may assess that winding-up proceedings are feasible only where such assessment is substantiated by a binding agreement concluded by the liquidator and the creditors whose claims are essential for the execution of the winding-up proceedings, on the manner and time limits to meet the claims, and where the liquidator obtained prior approval of the State Agency for Deposit Insurance and Bank Resolution for such assessment.

Continuation of compulsory winding-up proceedings

Article 259c

(1) If the liquidator assesses that winding-up proceedings are feasible, the liquidator shall carry out compulsory winding-up proceedings and shall apply *mutatis mutandis* the provisions of the Companies Act in the part governing the winding-up of companies.

(2) In the case referred to in paragraph (1) of this Article, the liquidator shall in addition to the assessment referred to in Article 259b, paragraph (3) of this Act deliver to the Croatian National Bank an order for the transfer of assets from the account of the credit institution in compulsory winding-up proceedings held with the Croatian National Bank to a transaction account referred to in Article 259b, paragraph (1) of this Act.

(3) If the liquidator fails to deliver to the Croatian National Bank the order referred to in paragraph (2) of this Article within five working days of the expiry of the time limit referred to in Article 259b, paragraph (3) or (4) of this Act and the request to open bankruptcy proceedings against a credit institution in compulsory winding-up proceedings is not submitted, the Croatian National Bank shall execute the transfer of assets from the account of the credit institution held with the Croatian National Bank to the transaction account referred in Article 259b, paragraph (1) of this Act and close the account of the credit institution held with the Croatian National Bank thereafter.

(4) If the liquidator within the period of five days of the expiry of the time limit referred to in Article 259b, paragraph (3) or (4) of this Act fails to notify the Croatian National Bank of the transaction account referred to in Article 259b, paragraph (1) of this Act and no request to open bankruptcy proceedings against the credit institution in compulsory winding-up proceedings has been submitted, the Croatian National Bank shall close the account of the credit institution in compulsory winding-up proceedings held with the Croatian National Bank and transfer the assets from the account to the credit institution after having received the notification of the transaction account referred to in Article 259b, paragraph (1) of this Act.

Reports on progress in compulsory winding-up proceedings

Article 260

At the request of the Croatian National Bank, liquidators shall deliver a report on progress in winding-up proceedings.

Establishment of the grounds for bankruptcy on the part of liquidators

Article 261

(1) Liquidators shall submit a request to open bankruptcy proceedings against a credit institution in compulsory winding-up proceedings:

1) where they identify in the opening liquidation balance sheet and in the assessment of the feasibility of winding-up proceedings the existence of any of the grounds for bankruptcy under the Bankruptcy Act or where they establish that the winding-up proceedings are not feasible, at the latest on the next working day; and

2) without delay, where any of the grounds for bankruptcy under the Bankruptcy Act have arisen in the course of compulsory winding-up proceedings.

(2) Liquidators shall without delay notify the Croatian National Bank of the submission of a request to open bankruptcy proceedings.

(3) Creditors of the credit institution in compulsory winding-up proceedings may submit a request to open bankruptcy proceedings on the grounds referred to in the Bankruptcy Act but only after the expiry of the time limit referred to in Article 259b, paragraph (3) or (4) of this Act.

Application of the provisions of this Act and the Companies Act in the course of the compulsory winding-up

Article 262

- (1) The provisions of the Companies Act governing the winding-up of companies shall apply *mutatis mutandis* to credit institutions undergoing compulsory winding-up proceedings.
- (2) The provisions of this Act shall apply *mutatis mutandis* to credit institutions undergoing compulsory winding-up proceedings.
- (3) The Croatian National Bank shall adopt subordinate legislation to further regulate the manner of application of the provisions of this Act to credit institutions in compulsory winding-up proceedings and the obligations of credit institutions in compulsory winding-up proceedings.

Prohibition of changes in the activity of credit institutions in compulsory winding up proceedings

Article 262a

A credit institution against which voluntary winding-up proceedings have been initiated may not change its activity so as to cease providing banking services and continue operating, but must close the winding-up proceedings and apply for its removal from the register of companies.

Adoption of a decision to initiate compulsory winding-up proceedings against members of a group of credit institutions

Article 262b

- (1) The provisions of Article 265b of this Act shall apply *mutatis mutandis* to the adoption of the decision to initiate compulsory winding-up proceedings of a credit institution which is a member of a group of credit institutions in the EU.
- (2) The provisions of Article 265a of this Act shall apply *mutatis mutandis* to the adoption of the decision to initiate compulsory winding-up proceedings of a credit institution which is an EU parent credit institution having its head office in the RC whereby at least one of the members of the group has a head office in another Member State.

XX.3 WINDING-UP OF BRANCHES OF THIRD-COUNTRY CREDIT INSTITUTIONS

Application of the provisions of this Act in the course of the winding-up of branches of third-country credit institutions

Article 263

- (1) The provisions of Articles 251 to 262 of this Act shall apply *mutatis mutandis* to branches of third-country credit institutions undergoing winding-up proceedings.
- (2) In addition to the reasons referred to in Article 255, paragraph (1) of this Act, the Croatian National Bank shall adopt a decision to initiate the compulsory winding-up of a branch of a

third-country credit institution if the branch fails to comply with the order of the Croatian National Bank referred to in Article 91, paragraph (4) of this Act.

XXI BANKRUPTCY OF CREDIT INSTITUTIONS

XXI.1 BANKRUPTCY OF CREDIT INSTITUTIONS

Application of the provisions of the Bankruptcy Act

Article 264

The provisions of the Bankruptcy Act shall apply *mutatis mutandis* to bankruptcy of credit institutions, unless otherwise prescribed in this Act.

Request to open bankruptcy proceedings

Article 265

A request to open bankruptcy proceedings against a credit institution may be submitted only by the Croatian National Bank as the resolution authority on the grounds referred to in Article 266 of this Act if one of the following conditions is met:

- 1) the adopted resolution plan established that resolution is not in the public interest and it is proposed in the resolution plan that the credit institution is not to be resolved where the conditions referred to in Article 28, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms are met and bankruptcy or compulsory winding-up proceedings shall be initiated against it; or
- 2) the State Agency for Deposit Insurance and Bank Resolution as the resolution authority refuses the request of the Croatian National Bank to initiate resolution proceedings of that credit institution.

Adoption of a decision to submit a request to open bankruptcy proceedings where the Croatian National Bank is a group-level resolution authority

Article 265a

(1) Where the Croatian National Bank is the group-level resolution authority, the Council of the Croatian National Bank shall adopt a decision to notify the resolution college of the intention to submit a request to open bankruptcy proceedings against an EU parent credit institution having its head office in the RC if the Croatian National Bank determines that the credit institution is failing or is likely to fail because the conditions referred to in Article 28, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms are met and if one of the following conditions is met:

- 1) the adopted resolution plan established that resolution of that credit institution is not in the public interest and it is proposed in the resolution plan that the credit institution is not to be resolved where the conditions referred to in Article 28, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms are met and bankruptcy or compulsory winding-up proceedings shall be initiated against it; or

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

(2) The Croatian National Bank shall without delay notify the members of the resolution college of the decision referred to in paragraph (1) of this Article. The notification shall contain information, as follows:

1) an EU parent credit institution having its head office in the RC is failing or is likely to fail; and

2) the Croatian National Bank as the group-level resolution authority intends to submit a request to open bankruptcy proceedings against the credit institution.

(3) Where the Croatian National Bank as the group-level resolution authority, after consulting other members of the resolution college of the group in question, assesses that the opening of bankruptcy proceedings against the EU parent credit institution having its head office in the RC would not impact any other member of the group in another Member State in such a way so as to meet the conditions for initiating resolution or opening bankruptcy proceedings, the Council of the Croatian National Bank shall adopt its own decision referred to in Article 267, paragraph (1) of this Act and notify other members of the resolution college thereof.

(4) The Croatian National Bank shall, when taking the decision referred to in paragraph (3) of this Article, take into account the financial stability of the Member States concerned.

(5) Where the Croatian National Bank as the group-level resolution authority, after consulting other members of the resolution college of the group in question, assesses that the opening of bankruptcy proceedings against the EU parent credit institution having its head office in the RC would impact any other member of the group in another Member State in such a way so as to meet the conditions for initiating resolution or opening bankruptcy proceedings, and that it is necessary to establish a group resolution scheme referred to in Article 30, paragraph (3) of the Act on the Resolution of Credit Institutions and Investment Firms and paragraph (7) of the same Article, the State Agency for Deposit Insurance and Bank Resolution shall draw up a group resolution scheme taking into account the opening of bankruptcy proceedings against the EU parent credit institution having its head office in the RC and shall act in accordance with Article 30 of the Act on the Resolution of Credit Institutions and Investment Firms.

(6) The Council of the Croatian National Bank may, regardless of the group resolution scheme referred to in paragraph (5) of this Article, reach its own decision referred to in Article 267, paragraph (1) of this Act.

(7) Having due regard to the urgency of the situation all actions in accordance with this Article shall be performed without delay.

Adoption of a decision to submit a request to open bankruptcy proceedings where the Croatian National Bank is not a group-level resolution authority

(1) Where the Croatian National Bank is not the group-level resolution authority, the Council of the Croatian National Bank shall adopt a decision to notify the resolution college of the intention to submit a request to open bankruptcy proceedings against a credit institution which is a subsidiary of a group of credit institutions in the EU if the Croatian National Bank determines that the credit institution is failing or is likely to fail because the conditions referred to in Article 28, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms are met and if one of the following conditions is met:

1) the adopted resolution plan established that resolution of that credit institution is not in the public interest and it is proposed in the resolution plan that the credit institution is not to be resolved where the conditions referred to in Article 28, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms are met and bankruptcy or compulsory winding-up proceedings shall be initiated against it; or

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

(2) The Croatian National Bank shall without delay notify the group-level resolution authority, the consolidating supervisor, if different, and members of the resolution college of the group in question of the decision referred to in paragraph (1) of this Article. The notification shall contain information, as follows:

1) the credit institution which is a subsidiary of the group of credit institutions in the EU is failing or is likely to fail; and

2) the Croatian National Bank intends to submit a request to initiate bankruptcy proceedings against the credit institution.

(3) Where the Croatian National Bank is not the group-level resolution authority it shall defer the adoption of its decision to submit a request to open bankruptcy proceedings against a credit institution which is a subsidiary of a group of credit institutions in the EU and shall await the notification from the group-level resolution authority referred to in paragraph (4) of this Article, no later than 24 hours after receiving the notification referred to in paragraph (1) of this Article or until the adoption of the joint decision referred to in paragraph (5) of this Article. Exceptionally, the 24-hour time limit may be extended with the prior approval of the Croatian National Bank.

(4) Where the group-level resolution authority, after consulting other members of the resolution college, assesses that the opening of bankruptcy proceedings against the credit institution which is a subsidiary of a group of credit institutions in the EU would not impact any other member of the group in another Member State in such a way so as to meet the conditions for initiating resolution or opening bankruptcy proceedings, and notifies the Croatian National Bank thereof, the Council of the Croatian National Bank shall adopt the decision on the submission of a request to open bankruptcy proceedings referred to in Article 267, paragraph (1) of this Act.

(5) Where the group-level resolution authority, after consulting other members of the resolution college, assesses that the opening of bankruptcy proceedings against the credit institution which is a subsidiary of a group of credit institutions in the EU would impact one or more members of the group in another Member State in such a way so as to meet the conditions for initiating

resolution or opening bankruptcy proceedings and where within 24 hours of the receipt of the notification referred to in paragraph (1) of this Article it proposes a group resolution scheme which includes resolution of the credit institution which is a subsidiary of the group of credit institutions in the EU and submits it to the resolution college, the State Agency for Deposit Insurance and Bank Resolution shall participate in the adoption of a joint decision on the group resolution scheme in the manner provided for in Article 31 of the Act on the Resolution of Credit Institutions and Investment Firms.

(6) Where a joint decision of the resolution college on the group resolution scheme that has been reached does not cover the resolution of a credit institution which is a subsidiary of a group of credit institutions in the EU or in the absence of a joint decision, the Council of the Croatian National Bank shall adopt its own decision on the submission of a request to open bankruptcy proceedings referred to in Article 267, paragraph (1) of this Act against the credit institution and shall deliver the decision to the group-level resolution authority and other relevant resolution authorities.

(7) Having due regard to the urgency of the situation all actions in accordance with this Article shall be performed without delay.

Grounds for bankruptcy

Article 266

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

- 1) the assets of the credit institution are less than its liabilities;
- 2) the common equity tier 1 capital ratio of the credit institution is lower than 4.5% of total risk exposure amount of the credit institution;
- 3) the tier 1 capital ratio of the credit institution is lower than 6% of total risk exposure amount of the credit institution;
- 4) the total capital ratio of the credit institution is lower than 8% of total risk exposure amount of the credit institution;
- 5) the amount of own funds of a bank is less than HRK 40 million, or the amount of own funds of a savings bank is less than HRK 8 million, or the amount of own funds of a housing savings bank is less than HRK 20 million;
- 6) the credit institution is unable to pay its liabilities as they fall due, especially where the account of the credit institution has been blocked for longer than two working days under the order of the Financial Agency in accordance with the law governing the execution of cash assets;
- 7) where the Croatian National Bank issued a decision on the unavailability of deposits referred to in Article 70 of this Act, and the unavailability of deposits has not occurred due to

the adoption of a decision on the submission of a request to open bankruptcy proceedings against a credit institution in accordance with Article 267 of this Act.

Temporary restrictions

Article 267

(1) In accordance with the Act on the Croatian National Bank, the decision on the submission or withdrawal of a request to open bankruptcy proceedings against a credit institution shall be adopted by the Council of the Croatian National Bank. The decision shall specify the date, hour and minute of its adoption.

(2) The decision of the Council of the Croatian National Bank on the submission of the request to open bankruptcy proceedings against a credit institution shall have the following effects:

1) temporary restriction of executions of orders for forced collection of payments debited to the credit institution's account and to the accounts of its clients in accordance with the law governing the execution of cash assets;

2) temporary restriction of credit institution's payments from all its accounts for its own account and of payments to its accounts;

3) temporary restriction of credit institution's provision of payment services to its clients;

4) temporary restriction of credit institution's payments and transfers from the accounts of its clients.

(3) By way of derogation from paragraph (2) of this Article, the following payments are permitted by means of which debtors meet their obligations towards the credit institution:

1) cash payments to the credit institution; and

2) payments to a transaction account opened by the credit institution with another credit institution in accordance with Article 268, paragraph (4) of this Act.

(4) By way of derogation from paragraph (2) of this Article, the special administration may execute cash payments to the transaction account referred to in paragraph (3), item (2) of this Article.

(5) By way of derogation from paragraph (2) of this Article, the Croatian National Bank shall carry out final settlement of payment transactions netted in another payment system at the account of the credit institution up to the moment of the opening of insolvency proceedings against that credit institution. The settlement shall be carried out pursuant to the rules of the payment system from the money the credit institution set aside for this purpose with the Croatian National Bank prior to the moment of opening of insolvency proceedings.

(6) By way of derogation from paragraph (2) of this Article, for all payments to accounts of the credit institution opened with other credit institutions within or outside the Republic of Croatia, effected contrary to paragraphs (2) and (3) of this Article after the moment referred to in paragraph (8) of this Article, the credit institution shall repay the funds to the payer or take

reasonable measures for the purpose of the transfer of the funds to the beneficiary of the payment transaction. The funds of the credit institution received in this manner shall not constitute a part of the bankruptcy estate.

(7) By way of derogation from paragraph (2) of this Article, payments arising from the liabilities of the credit institution as a participant in a settlement system in accordance with the law governing the capital market shall be permitted. The credit institution shall carry out the payments in accordance with the conditions provided for in the law governing the capital market.

(8) The Croatian National Bank shall immediately publish on its website the notification of the decision of the Council of the Croatian National Bank on the submission of the request to open bankruptcy proceedings against a credit institution. The notification shall specify the date, hour and minute of the adoption of the decision. The Croatian National Bank shall without delay publish the notification in question in at least two daily newspapers published in the Republic of Croatia, including the information on the effects referred to in paragraph (2) of this Article.

(9) The date, hour and minute specified in the Council decision on the submission of the request to open bankruptcy proceedings shall be the moment of the opening of insolvency proceedings against that credit institution in terms of the law governing settlement finality in payment systems.

(10) The Croatian National Bank shall without delay deliver the notification of the decision of the Council of the Croatian National Bank on the submission of the request to open bankruptcy proceedings against the credit institution to the Financial Agency, the Croatian Financial Services Supervisory Agency and the credit institution via fax or email.

(11) The credit institution's trustee in bankruptcy in the name of the credit institution and bankruptcy creditors shall have the right to challenge all payments, transfers and payment transactions effected contrary to the temporary restrictions referred to in paragraph (2) of this Article after the point in time referred to in paragraph (8) of this Article, with the exception of the payments executed in accordance with paragraphs (3) and (16) of this Article.

(12) Where at the point in time when the Council of the Croatian National Bank adopted the decision on the submission of the request to open bankruptcy proceedings against the credit institution a special administration of that credit institution was appointed in accordance with Article 236, paragraph (1) of this Act, it shall upon the delivery of the notification referred to in paragraph (8) of this Article continue its work with the duties referred to in Article 268 of this Act.

(13) Where at the point in time when the Council of the Croatian National Bank adopted the decision on the submission of the request to open bankruptcy proceedings against the credit institution a special administration of that credit institution was not appointed in accordance with Article 236, paragraph (1) of this Act, the Croatian National Bank shall at the same time appoint a special administration.

(14) In accordance with Article 70 of this Act, the Croatian National Bank shall, at the latest on the first working day of the adoption of the decision of the Council of the Croatian National Bank to submit a request to open bankruptcy proceedings against the credit institution and of

the effects of the decision referred to in paragraph (2) of this Article, issue a decision on the unavailability of deposits.

(15) The Croatian National Bank may withdraw a request to open bankruptcy proceedings.

(16) The legal effects of the decision of the Council of the Croatian National Bank on the submission of the request to open bankruptcy proceedings shall be terminated:

1) on the date, hour and minute of the opening of the bankruptcy proceedings; or

2) on the expiry of the period of two working days from the date when the Croatian National Bank received the decision on the dismissal of the request to open bankruptcy proceedings, the decision on the termination of the proceedings or the decision on the refusal to open bankruptcy proceedings.

(17) By way of derogation from paragraph (2) of this Article, subject to the approval of the Croatian National Bank, a special administration may execute payments from cash assets of the credit institution and accounts referred to in paragraph (3), item (2) of this Article only if such payments are necessary to fulfil the duties referred to in Article 268 of this Act.

(18) While temporary restrictions referred to in paragraph (2) of this Article are in force, if the credit institution has not sufficient cash assets or assets in the account referred to in paragraph (3), item (2) of this Article, all payments necessary to protect the credit institution's assets shall be settled by the Croatian National Bank in the name and for the account of the credit institution.

(19) The credit institution that is requested by the credit institution which is the subject of the request to open bankruptcy proceedings to open the account referred to in paragraph (3), item (2) of this Article, shall open such account pursuant to the notification referred to in paragraph (8) of this Article and the decision to appoint a special administration even prior to their entry in the register of companies.

Duties of the special administration

Article 268

Following the delivery of the notification referred to in Article 267, paragraph (10) of this Act the special administration shall:

1) protect and manage the credit institution's assets;

2) continue to direct the business of the credit institution;

3) at the request of the bankruptcy judge, examine whether the credit institution's assets are sufficient to cover the costs of bankruptcy proceedings; and

4) without delay open a transaction account with another credit institution for the purpose of receiving payments referred to in Article 267, paragraph (3) of this Act or, where transaction accounts have already been opened, specify one for that purpose and notify the Croatian National Bank thereof.

Request of the Croatian National Bank to open bankruptcy proceedings

Article 269

- (1) The Croatian National Bank shall submit to the competent commercial court a request to open bankruptcy proceedings at the latest on the first working day of the adoption of the decision by the Council of the Croatian National Bank to submit a request to open bankruptcy proceedings against a credit institution.
- (2) In the request to open bankruptcy proceedings the Croatian National Bank shall state the facts and circumstances giving rise to the existence of any of the grounds for bankruptcy referred to in Article 266 of this Act.
- (3) When the Croatian National Bank submits a request to open bankruptcy proceedings no preliminary proceedings shall be carried out. Within eight days of receipt of the request to open bankruptcy proceedings the bankruptcy judge shall set a court date for the hearing as regards the conditions for the opening of bankruptcy proceedings.
- (4) The bankruptcy judge shall issue a decision on the opening of bankruptcy proceedings or refuse the request to open such proceedings within 30 days of the date when the request to open bankruptcy proceedings was submitted.

Collateral promise

Article 270

The procedure of opening bankruptcy proceedings shall not be subject to the provisions of the Bankruptcy Act governing collateral promise.

Invitation to the Croatian National Bank

Article 271

Where a request to open bankruptcy proceedings has not been submitted by the Croatian National Bank, the bankruptcy judge shall invite a representative of the Croatian National Bank to all hearings in preliminary proceedings in order to hear his/her statement and shall deliver all adopted decisions to the Croatian National Bank.

Appointment of a trustee in bankruptcy

Article 272

- (1) The person who may be appointed trustee in bankruptcy of a credit institution shall in addition to the conditions provided for in the Bankruptcy Act also possess the knowledge of and the experience in banking operations.
- (2) Prior to appointing a trustee in bankruptcy of a credit institution, a bankruptcy judge shall hear a representative of the Croatian National Bank and the State Agency for Deposit Insurance and Bank Resolution on the qualities required of a person to be appointed trustee in bankruptcy.

Repayment of required reserves

Article 273

(1) After the opening of bankruptcy proceedings against a credit institution and his/her appointment, a trustee in bankruptcy shall within three days of the opening of bankruptcy proceedings submit a request to the Croatian National Bank for the repayment of required reserves.

(2) The Croatian National Bank shall act on the request referred to in paragraph (1) of this Article during the next calculation period.

Claims of bankruptcy creditors with higher priority claims

Article 274

(1) The claims of the first level of higher priority shall include gross claims of the credit institution's employees and former employees arising from the employment relationship up to the date of the opening of bankruptcy proceedings, severance payments up to the amount laid down by law or collective agreement and claims for damages due to industrial injury or occupational disease.

(2) The claims of the second level of higher priority shall include claims of the Croatian National Bank.

(3) The claims of the third level of higher priority shall include claims arising from insured deposits and claims of the State Agency for Deposit Insurance and Bank Resolution arising from deposits insured in accordance with a special law.

(4) The claims of the fourth level of higher priority shall include claims arising from eligible deposits held by natural persons, micro, small and medium-sized enterprises which exceed the coverage level provided for in the law governing deposit insurance and deposits held by natural persons, micro, small and medium-sized enterprises that would be eligible deposits if they were not held with a branch of the credit institution.

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

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

1) those classified into lower priority claims; and

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

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

1) claims which are not included in items (2) to (6) of this paragraph;

2) claims of the holder of subordinated debt that is not additional tier 1 or tier 2 capital;

3) claims of owners of instruments used in accordance with the Act on the Resolution of Credit Institutions and Investment Firms to meet the minimum requirement for own funds and eligible liabilities and for which it has been arranged that when bail-in tools are applied to that credit institution, the instruments shall be written down or converted to shares or other instruments of ownership;

4) claims of parent undertakings as owners of instruments used by subsidiaries to meet the minimum requirement for own funds and eligible liabilities on an individual basis;

5) the principal amount of subordinated debt that is included in tier 2 capital;

6) the principal amount of subordinated debt that is included in additional tier 1 capital.

(8) After the settlement of claims by creditors referred to in Article 274, paragraphs (1) and (2) of this Act, the trustee in bankruptcy shall without delay carry out partial distribution for the benefit of creditors referred to in Article 274, paragraph (3) of this Act.

(9) The partial distribution relating to claims of creditors referred to in Article 274, paragraph (3) of this Act shall be carried out for the amount recognised by the trustee in bankruptcy at the examination hearing, so as to credit the cash assets from the account of a debtor in bankruptcy to the Deposit Insurance Fund. Payments shall be credited to that account by the trustee in bankruptcy at least monthly up to the moment of repayment of the total amount of the claim or up to the moment of the closure of bankruptcy proceedings. The trustee in bankruptcy shall obtain prior approval of the State Agency for Deposit Insurance and Bank Resolution for all legal and other acts that would defer the payment in question.

(10) Where the claim of the creditor is not fully repaid in the course of the first partial distribution that includes the claim of the creditor referred to in Article 274, paragraph (3) of this Act, all subsequent monthly partial distributions shall not require the approval of creditors' committee or of the bankruptcy judge.

(11) When effecting the distribution referred to in paragraph (9) of this Article the trustee in bankruptcy shall take care to:

– ensure from the bankruptcy estate the funds necessary to settle the foreseeable obligations of the bankruptcy estate and for that purpose reserve the funds necessary to cover those obligations which it can legitimately be assumed would have to be settled in the future; and

– reserve from the bankruptcy estate the funds necessary for contested claims in relation to which the creditor referred to in Article 274, paragraphs (1) and (2) of this Act, submitted evidence to the trustee in bankruptcy of the legal action initiated for the purpose of establishing the claim or that he assumed previously commenced cases.

Notification to the Croatian National Bank

Article 275

A bankruptcy judge shall also deliver a decision on the termination and closure of bankruptcy proceedings against a credit institution to the Croatian National Bank.

Prohibition of changes in the activity of credit institutions in bankruptcy proceedings

Article 275a

A credit institution against which bankruptcy proceedings have been opened may not change its activity so as to cease providing banking services and continue operating, but must end the bankruptcy proceedings and apply for its removal from the register of companies.

XXI.1.a BANKRUPTCY OF CREDIT INSTITUTIONS UNDER RESOLUTION

Bankruptcy of credit institutions under resolution

Article 275b

(1) A request to open bankruptcy proceedings against a credit institution under resolution may be submitted only by the State Agency for Deposit Insurance and Bank Resolution as the resolution authority on the grounds referred to in Article 266 of this Act.

(2) The State Agency for Deposit Insurance and Bank Resolution shall without delay notify the Croatian National Bank of the submission of the request referred to in paragraph (1) of this Article via fax or email.

(3) By way of derogation from the provisions of the Bankruptcy Law, where bankruptcy proceedings have been opened against a credit institution under resolution, the legal acts of the transfer of assets, rights or liabilities from the credit institution under resolution to another entity by virtue of the application of a resolution tool or exercise of a resolution power or use of a government financial stabilisation tool may not be challenged or declared null and void.

(4) The State Agency for Deposit Insurance and Bank Resolution may request from the trustee in bankruptcy of the credit institution that was under resolution prior to the opening of the bankruptcy proceedings to provide facilities and equipment and any services necessary to enable the recipient undertaking to operate effectively the business transferred to it in accordance with Article 85 of the Act on the Resolution of Credit Institutions and Investment Firms.

(5) The trustee in bankruptcy shall carry out bankruptcy proceedings against a credit institution that was under resolution prior to the opening of the bankruptcy proceedings within a reasonable time frame, in accordance with the resolution principles referred to in Article 7 of the Act on the Resolution of Credit Institutions and Investment Firms to enable the recipient undertaking to continue the activities transferred to it in accordance with paragraph (4) of this Article.

(6) The State Agency for Deposit Insurance and Bank Resolution may request from the court running the bankruptcy proceedings against the institution that was under resolution prior to the

opening of bankruptcy proceedings to order a stay of bankruptcy proceedings during an appropriate period, where this is necessary to achieve an effective resolution.

(7) The State Agency for Deposit Insurance and Bank Resolution may withdraw a request to open bankruptcy proceedings.

Temporary restrictions on the credit institution under resolution

Article 275c

(1) Upon receipt of the notification of the State Agency for Deposit Insurance and Bank Resolution referred to in Article 275b, paragraph (2) of this Act, the Croatian National Bank shall announce on its website the information that temporary restrictions referred to in paragraph (2) of this Article came into force, specifying the date, hour and minute when temporary restrictions came into force. The Croatian National Bank shall without delay publish the notification in question in at least two daily newspapers published in the Republic of Croatia, including the information on the effects referred to in paragraph (2) of this Article.

(2) The disclosure referred to in paragraph (1) of this Article shall have the following effects:

1) temporary restriction of executions of orders for forced collection of payments debited to the credit institution's account and to the clients' account in accordance with the law governing the execution of cash assets;

2) temporary restriction of credit institution's payments from all its accounts for its own account and of payments to its accounts;

3) temporary restriction of credit institution's provision of payment services to its clients;

4) temporary restriction of credit institution's payments and transfers from the accounts of its clients.

(3) By way of derogation from paragraph (2) of this Article, the following payments are permitted by means of which debtors meet their obligations towards the credit institution under resolution:

1) cash payments to the credit institution under resolution; and

2) payments to a transaction account opened by the credit institution under resolution with another credit institution in accordance with Article 275d, paragraph (4) of this Act.

(4) By way of derogation from paragraph (2) of this Article, the resolution administration may execute cash payments to the transaction account referred to in paragraph (3), item (2) of this Article.

(5) By way of derogation from paragraph (2) of this Article, the Croatian National Bank shall carry out final settlement of payment transactions netted in another payment system at the account of the credit institution under resolution up to the moment of the opening of insolvency proceedings against that credit institution. The settlement shall be carried out pursuant to the rules of the payment system from the funds the credit institution under resolution set aside for

this purpose with the Croatian National Bank prior to the moment of opening of insolvency proceedings.

(6) By way of derogation from paragraph (2) of this Article, for all payments to accounts of the credit institution opened with other credit institutions within or outside the Republic of Croatia, effected contrary to paragraphs (2) and (3) of this Article after the moment referred to in paragraph (1) of this Article, the credit institution under resolution shall repay the funds to the payer or take reasonable measures for the purpose of transfer of the funds to the beneficiary of the payment transaction. The funds of the credit institution under resolution received in this manner shall not constitute a part of the bankruptcy estate.

(7) The date, hour and minute of the disclosure of the Croatian National Bank referred to in paragraph (1) of this Article shall be the moment of the opening of insolvency proceedings against that credit institution in terms of the law governing settlement finality in payment systems.

(8) The Croatian National Bank shall without delay deliver the notification of temporary restrictions coming into force to the Financial Agency, the Croatian Financial Services Supervisory Agency and the credit institution via fax or email.

(9) The trustee in bankruptcy of the credit institution that was under resolution prior to the opening of the bankruptcy proceedings, in the name of the credit institution, and bankruptcy creditors shall have the right to challenge all payments, transfers and payment transactions effected contrary to the temporary restrictions referred to in paragraph (2) of this Article after the point in time referred to in paragraph (1) of this Article, with the exception of the payments executed in accordance with paragraphs (3) and (11) of this Article.

(10) The legal effects of the notification by the Croatian National Bank referred to in paragraph (1) shall be terminated:

1) on the date, hour and minute of the opening of the bankruptcy proceedings; or

2) on the expiry of the period of two working days from the date when the State Agency for Deposit Insurance and Bank Resolution received the decision on the dismissal of the request to open bankruptcy proceedings, the decision on the termination of the proceedings or the decision on the refusal to open bankruptcy proceedings.

(11) By way of derogation from paragraph (2) of this Article, subject to the approval of the State Agency for Deposit Insurance and Bank Resolution, the resolution administration may execute payments from cash assets of the credit institution under resolution and from accounts referred to in paragraph (3), item (2) of this Article only if such payments are necessary to fulfil the duties referred to in Article 275d of this Act.

(12) The credit institution that is requested by the credit institution under resolution which is the subject of the request to open bankruptcy proceedings to open the account referred to in paragraph (3), item (2) of this Article, shall open such account pursuant to the disclosure referred to in paragraph (1) of this Article.

Duties of the resolution administration

Article 275d

Following the disclosure referred to in Article 275c, paragraph (1) of this Act the resolution administration shall:

- 1) protect and manage the assets of the credit institution under resolution;
- 2) continue to direct the business of the credit institution under resolution;
- 3) at the request of the bankruptcy judge, examine whether the assets of the credit institution under resolution are sufficient to cover the costs of bankruptcy proceedings; and
- 4) without delay open a transaction account with another credit institution for the purpose of receiving payments referred to in Article 275c, paragraph (3) of this Act or, where transaction accounts have already been opened, specify one for that purpose and notify the Croatian National Bank thereof.

Application of other provisions to the bankruptcy of credit institutions under resolution

Article 275e

The provisions of Articles 264 and 266 and of Articles 269 to 275a of this Act shall apply *mutatis mutandis* to the bankruptcy of credit institutions under resolution.

XXI.2 BANKRUPTCY OF BRANCHES OF THIRD-COUNTRY CREDIT INSTITUTIONS

Application of the provisions of this Act to the bankruptcy of branches of third-country credit institutions

Article 276

The provisions of Articles 264 to 275 of this Act governing the bankruptcy of credit institutions shall apply *mutatis mutandis* to the bankruptcy of branches of third-country credit institutions.

XXII SUPERVISION ON A CONSOLIDATED BASIS

Supervision on a consolidated basis

Article 277

In addition to exercising supervision of credit institutions in the Republic of Croatia on an individual basis, the Croatian National Bank shall exercise supervision of groups of credit institutions in the Republic of Croatia on a consolidated basis.

Group of credit institutions in the Republic of Croatia

Article 278

(1) A group of credit institutions in the Republic of Croatia (hereinafter referred to as 'group of credit institutions in the RC') shall include credit institutions, investment firms and financial institutions having their head office in the Republic of Croatia or in another country, within which at least one institution has the status of:

1) an RC parent credit institution;

2) an EU parent credit institution having its head office in the RC;

3) an RC parent financial holding company of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;

4) an EU parent financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;

5) an RC parent mixed financial holding company of which at least one credit institution subsidiary has been authorised by the Croatian National Bank;

6) an EU parent mixed financial holding company having its head office in the RC of which at least one credit institution subsidiary has been authorised by the Croatian National Bank; or

7) a credit institution authorised by the Croatian National Bank which is linked by management on a unified basis with another credit institution, investment firm or financial institution in the manner referred to in Article 15, paragraph (1), items (1) and (3) of this Act.

(2) The Croatian National Bank may in particular cases specify in a decision that a group of credit institutions in the RC also includes credit institutions, investment firms and financial institutions linked in the manner referred to in Article 15, paragraph (1), item (2) of this Act.

(3) A group of credit institutions in the RC shall also exist where the same RC or EU parent financial holding company having its head office in the RC, or the RC or EU parent mixed financial holding company having its head office in the RC, in addition to having a credit institution subsidiary which has its head office in the Republic of Croatia, has as subsidiaries credit institutions of other countries.

(4) A group of credit institutions in the RC shall also exist where a credit institution which has its head office in the Republic of Croatia is a subsidiary of more than one financial holding company or more than one mixed financial holding company with head offices in the RC and other Member States, and there is a credit institution subsidiary in each of these States, and the credit institution which has its head office in the Republic of Croatia has the largest balance sheet total relative to the credit institutions in other Member States.

(5) A group of credit institutions in the RC shall also exist where one or more credit institutions with head offices in the Republic of Croatia have as their parent the same EU parent financial holding company or the same EU parent mixed financial holding company having its head office in another Member State, or where both a credit institution which has its head office in the Republic of Croatia and credit institutions of other countries have as their parent the same EU parent financial holding company or the same EU parent mixed financial holding company having its head office in another Member State and none of these credit institutions has been authorised in the Member State in which the financial holding company or mixed financial

holding company was established, and the credit institution which has its head office in the Republic of Croatia has the largest balance sheet total relative to the credit institutions in other Member States.

Special cases of inclusion in a group of credit institutions in the RC

Article 279

(1) The Croatian National Bank may require an RC parent credit institution, an EU parent credit institution having its head office in the RC, a legal person that is neither a credit institution, an investment firm nor a financial institution or a credit institution that is linked with such a legal person in the manner referred to in Article 15 of this Act, to include in a group of credit institutions in the RC all members of the group and to carry out consolidation in accordance with this Act and the regulations of the European Union governing the operation of credit institutions of all members of the group regardless of their activity, where this is relevant for a comprehensive and objective presentation of the credit institution's financial position and operating results.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall issue a decision to determine how consolidation is to be carried out.

Assumption and delegation of responsibility for supervision on a consolidated basis

Article 280

(1) The Croatian National Bank may in the particular cases referred to in Article 278, paragraphs (3), (4) and (5) 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, 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) The Croatian National Bank may in the particular cases referred to in Article 278, paragraphs (3), (4) and (5) 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 credit 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, EU parent financial holding company, EU parent mixed financial holding company, or credit institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision.

Inclusion of holding companies in supervision on a consolidated basis

Article 281

(1) Subsidiary members of a group of credit institutions in the RC, the parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act and the parent financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act 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 or the credit institution referred to in Article 97, paragraph (2) of this Act.

(2) An RC parent credit institution, an EU parent credit institution having its head office in the RC or the credit institution referred to in Article 97, paragraph (2) of this Act shall 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. If the parent mixed financial holding company or the parent financial holding company fails to deliver the data relevant for the purposes of consolidation, the credit institution shall without delay notify the Croatian National Bank.

(3) Subsidiary members of a group of credit institutions in the RC, the parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act and the parent financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act shall enable the Croatian National Bank, as the competent authority responsible for supervision on a consolidated basis, to exercise supervision of their operations for the purpose of verifying the information referred to in paragraphs (1) and (2) of this Article.

(4) The parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in supervision on a consolidated basis of the parent undertaking pursuant to Article 19 of Regulation (EU) No 575/2013 shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising that credit institution.

(5) The legal person referred to in Article 19 of Regulation (EU) No 575/2013 which is a subsidiary of an RC parent credit institution, an EU parent credit institution having its head office in the RC, the mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act or the financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act, and which is not included in supervision on a consolidated basis, shall, at the request of the Croatian National Bank, deliver information which would be relevant for the purpose of supervising individual credit institutions within the group of credit institutions in the RC, and enable the carrying out of on-site examinations to verify the information delivered.

(6) Where the person referred to in paragraph (5) of this Article has its head office in another Member State, the examinations referred to in paragraph (5) of this Article shall be carried out in accordance with Article 295 of this Act.

Supplementary supervisory tasks on a consolidated basis

Article 282

(1) In cases where the Croatian National Bank is the consolidating supervisor, in addition to the obligations imposed by the provisions of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall carry out the following tasks:

1) coordination of the gathering and dissemination of relevant or essential information between the competent authorities of other countries involved in supervision on a consolidated basis in going concern and emergency situations;

2) planning and coordination of supervisory activities in going-concern situations, including in relation to the activities of supervision on a consolidated basis, in cooperation with the competent authorities of other countries involved; and

3) planning and coordination of supervisory activities in cooperation with the competent authorities of other countries involved, and if necessary, with the central banks of the European System of Central Banks, in preparation for and during emergency situations, including adverse developments in credit institutions or in financial markets using, where possible, existing defined channels of communication for facilitating crisis management. The planning and coordination of supervisory activities includes exceptional measures referred to in Article 288, paragraph (5), item (4) of this Act, the preparation of joint assessments, the implementation of contingency plans and communication to the public.

(2) Where the competent authorities involved in supervision on a consolidated basis fail to cooperate with the Croatian National Bank in the manner that ensures the fulfilment of obligations referred to in paragraph (1) of this Article, in cases where the Croatian National Bank is the consolidating supervisor, 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.

(3) In cases where the Croatian National Bank is not the consolidating supervisor and the consolidating supervisor fails to fulfil the obligations equivalent to the obligations referred to in paragraph (1) of this Article, 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.

College of supervisors

Article 283

(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 Article 209 of this Act and compatibility with Croatian law, ensure appropriate coordination and cooperation with relevant third-country competent authorities.

(2) 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, special regulations transposing Directive 2013/36/EU 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 of Article 282, paragraph (1), item (3) of this Act taking into account the work of other forums that may be established in this area.

(3) 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.

(4) The establishment and functioning of the college shall be based on written arrangements referred to in Article 287 of this Act, determined after consulting the competent authorities concerned by the Croatian National Bank as the consolidating supervisor.

(5) 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.

(6) In addition to the authorities referred to in paragraph (5) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

Joint decisions on institution-specific prudential requirements where the Croatian National Bank is the consolidating supervisor

Article 284

(1) The Croatian National Bank as the consolidating supervisor 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; and

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 measures imposed on individual credit institutions in accordance with Articles 224 and 225 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 containing the risk assessment of the group of credit institutions in the RC 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.

(3) Based on the supervision exercised and assessment the Croatian National Bank shall submit a report containing the assessment of the liquidity risk profile of the group of credit institutions in the RC.

(4) The joint decision referred to in paragraph (1), item (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. This decision 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) The joint decision referred to in paragraph (1), item (2) of this Article shall be reached within one month after submission of the report referred to in paragraph (3) 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. This decision 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.

(6) In the event of a disagreement on the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank shall at the request of any of the other competent authorities concerned consult the European Banking Authority. The Croatian National Bank may consult the European Banking Authority on its own initiative.

(7) In the absence of a joint decision within the time period referred to in paragraph (4) or (5) of this Article, a decision referred to in paragraph (1) of this Article 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.

(8) By way of derogation from paragraph (7) of this Article, where within four months after submission of the report referred to in paragraph (2) of this Article or within one month of the submission of the report referred to in paragraph (3) 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 or the one-month period

shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(9) In the case referred to in paragraph (7) of this Article, the decisions of all competent authorities for individual members of the group 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 (4) or (5) 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.

(10) In the case referred to in paragraph (7) of this Article, all competent authorities shall consider the advice of the European Banking Authority, and explain any significant deviation therefrom.

(11) 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.

(12) 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.

(13) By way of derogation from paragraph (12) 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.

Joint decisions on institution-specific prudential requirements where the Croatian National Bank is not the consolidating supervisor

Article 285

(1) Where the competent authority of another Member State is at the same time the consolidating supervisor, the Croatian National Bank shall, at the request of the consolidating supervisor, participate in the reaching of a joint decision on:

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 relevant group of credit institutions 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 relevant group of credit institutions and on a consolidated basis; and

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 measures imposed on individual credit institutions in accordance with Articles 224 and 225 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 member of the relevant group of credit institutions within its competence, the Croatian National Bank shall prepare a report containing the risk assessment of that member and a report containing the assessment of the liquidity risk profile and submit it to the consolidating supervisor.

(3) If the joint decision referred to in paragraph (1) of this Article is reached, the Croatian National Bank shall adopt an appropriate decision and deliver it to a member of the relevant group of credit institutions within its competence.

(4) In the event of a disagreement on the joint decision referred to in paragraph (1) of this Article, the Croatian National Bank may submit a request to the consolidating supervisor to consult the European Banking Authority.

(5) Where, at the request of the consolidating supervisor, the European Banking Authority has been consulted on the decision referred to in paragraph (1) of this Article, the Croatian National Bank shall consider such advice when taking a decision referred to in paragraph (6) of this Article, and explain any significant deviation therefrom.

(6) In the absence of a joint decision referred to in paragraph (1), item (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 or in the absence of a joint decision referred to in paragraph (1), item (2) of this Article within one month after submission by the consolidating supervisor of a report containing the assessment of the liquidity risk profile, the Croatian National Bank shall take the decision referred to in paragraph (1) of this Article 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 or in the absence of a joint decision referred to in paragraph (1), item (2) of this Article within one month after submission by the consolidating supervisor of a report containing the assessment of the liquidity risk profile, 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 within one month, the Croatian National Bank shall adopt a decision in conformity with that decision. The four-month period or the one-month period shall be deemed to be the conciliation period within the meaning of Regulation (EU) No 1093/2010.

(8) The Croatian National Bank may make a written and fully reasoned request to the consolidating supervisor to update the decision referred to in paragraph (1) of this Article.

(9) The Croatian National Bank shall update the decisions referred to in paragraph (6) or (7) of this Article on an annual basis at a minimum.

Notification of an emergency situation

(1) Where the Croatian National Bank is the consolidating supervisor and an emergency situation arises, including the situation referred to in Article 18 of Regulation (EU) No 1093/2010 or a situation of adverse developments in markets, which potentially jeopardises the market liquidity and the stability of the financial system in any of the Member States where the members of a group of credit institutions have been authorised or where significant branches of a credit institution established in the Republic of Croatia provide services, the Croatian National Bank shall, in accordance with the provisions of this Act governing the exchange of confidential information, immediately notify the European Banking Authority, the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act and the European Systemic Risk Board and shall communicate all information essential for the pursuance of their tasks.

(2) Where the Croatian National Bank is not the consolidating supervisor and where it, within the framework of its competence under law, becomes aware that the emergency situation referred to in paragraph (1) of this Article may arise, it shall notify the consolidating supervisor in another Member State using existing defined channels of communication.

(3) Where the Croatian National Bank is the competent authority responsible for supervision on a consolidated basis and needs information on a group of credit institutions which has already been given to another competent authority, the Croatian National Bank shall contact this authority whenever possible in order to prevent duplication of reporting to the various competent authorities involved in supervision.

Coordination and cooperation agreements

Article 287

(1) In order to facilitate and establish effective supervision on a consolidated basis, the Croatian National Bank shall conclude written coordination and cooperation agreements with the other competent authorities involved in supervision.

(2) Under the agreements referred to in paragraph (1) of this Article, additional tasks may be entrusted to the consolidating supervisor and procedures for the decision-making process and for cooperation with other competent authorities may be specified.

(3) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 delegate its responsibility for supervision to the competent authorities which authorised and supervise the parent credit institution so that they assume responsibility for supervising the subsidiary credit institution which has its head office in the Republic of Croatia.

(4) The Croatian National Bank may, by bilateral agreement, in accordance with Article 28 of Regulation (EU) No 1093/2010 assume responsibility for supervision of a credit institution in a Member State the parent undertaking of which is a credit institution which has its head office in the Republic of Croatia from the competent authorities which authorised and supervise the credit institution.

Exchange of information between the competent authorities of the Member States

Article 288

(1) The Croatian National Bank shall cooperate with the competent authorities of other Member States and provide them with any information which is essential or relevant for the exercise of supervisory tasks in accordance with this Act and Regulation (EU) No 575/2013. In that regard, the Croatian National Bank shall communicate to other competent authorities:

1) on request, all relevant information or all information related to the exercise of the other authorities' supervisory tasks; or

2) on its own initiative, all essential information if it could materially influence the assessment of the financial soundness of a credit institution or financial institution in another Member State.

(2) The Croatian National Bank shall cooperate with the European Banking Authority for the purposes of implementing this Act and Regulation (EU) No 575/2013 and in accordance with Regulation (EU) No 1093/2010 and shall provide it with the information necessary to carry out its tasks under Regulation (EU) No 1093/2010 in the manner governed by Article 35 of Regulation (EU) No 1093/2010.

(3) The Croatian National Bank may refer to the European Banking Authority any of the following situations:

a) where a competent authority has not communicated essential information; and

b) where another competent authority has rejected a request for cooperation or has not acted upon a request for cooperation within a reasonable time, in particular upon a request to exchange relevant information.

(4) Where the Croatian National Bank is the consolidating supervisor of an EU parent credit institution having its head office in the RC, a credit institution controlled by an EU parent mixed financial holding company or a credit institution controlled by an EU parent financial holding company, it shall provide the competent authorities in other Member States who supervise subsidiaries of these parents all relevant information. In determining the extent of relevant information, the importance of those subsidiaries within the financial system in those Member States shall be taken into account.

(5) For the purposes of this Article, information shall be regarded as essential if it could materially influence the assessment of the financial soundness of a particular member of a group of credit institutions in another Member State. It shall include, in particular, the following items:

1) essential information on legal relationships in a group and the management and organisational structure of the group, including all regulated and unregulated entities, unregulated subsidiary undertakings and significant branches belonging to the group and parent undertakings, in accordance with Article 67, paragraph (1), items (2) and (3), Article 97, paragraphs (5) and (6) and Article 101 of this Act, as well as essential information on the competent authorities responsible for the supervision of regulated entities in a group;

2) major procedures for collecting information from the credit institutions in a group, and the checking of that information;

3) adverse developments in credit institutions or in other members of a group, which could seriously affect other credit institutions in the group; and

4) penalties and exceptional measures taken by the competent authority against a credit institution, including the imposition of any specific own funds requirements under Articles 224 and 228 of this Act and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(6) Where the Croatian National Bank is the competent authority responsible for the supervision of a credit institution controlled by an EU parent credit institution, it shall whenever possible contact the consolidating supervisor when it needs information regarding the implementation of approaches and methodologies set out in this Act and Regulation (EU) No 575/2013 that may already be available to that competent authority.

Cooperation with the competent authorities of the Member States which are involved in supervision on a consolidated basis

Article 289

(1) The Croatian National Bank shall, before adopting a decision that is of importance for other competent authorities' supervisory tasks, consult these competent authorities with regard to:

1) changes in the shareholder, organisational or management structure of credit institutions in a group, which require the approval or authorisation of the competent authorities; and

2) exceptional measures it intends to take, including the imposition of an additional specific own funds requirement and the imposition of any limitation on the use of the Advanced Measurement Approach for the calculation of capital requirements under Article 312, paragraph (2) of Regulation (EU) No 575/2013.

(2) In the cases referred to in paragraph (1), item (2) of this Article, the Croatian National Bank shall consult the consolidating supervisor.

(3) By way of derogation from paragraphs (1) and (2) of this Article, the Croatian National Bank may decide not to consult in cases of urgency or where such consultation may jeopardise the effectiveness of the decision. In such cases, the Croatian National Bank shall without delay notify the other competent authorities of the decision adopted.

Regulations regarding supervision on a consolidated basis

Article 290

Regarding supervision on a consolidated basis, the Croatian National Bank may adopt subordinate legislation to further regulate:

1) obligations of an RC parent credit institution or an EU parent credit institution having its head office in the RC or a credit institution which has its head office in the RC and is a subsidiary of an RC parent financial holding company or of an RC parent mixed financial holding company;

2) conditions under which individual members of a group of credit institutions in the RC may be included in or excluded from supervision on a consolidated basis;

- 3) provisions on the method of consolidation for the purposes of supervision on a consolidated basis;
- 4) the form and content of consolidated financial statements and supervisory reports, and the method of and time limits for reporting to the Croatian National Bank;
- 5) the method of identifying a parent credit institution; and
- 6) the method of and conditions for reporting on intra-group transactions for mixed-activity holding companies and their subsidiary undertakings.

Obligations of mixed-activity holding companies and their subsidiaries regarding supervision on a consolidated basis

Article 291

- (1) Where the parent undertaking of one or more credit institutions is a mixed-activity holding company, this holding company and its subsidiaries shall, on request of the Croatian National Bank, deliver to it all information which would be relevant for the purpose of supervising the credit institution subsidiaries either directly or via the credit institution subsidiaries.
- (2) The Croatian National Bank or a person authorised by the Governor of the Croatian National Bank may carry out on-site examinations to verify information received from mixed-activity holding companies and their subsidiaries.
- (3) If the mixed-activity holding company or one of its subsidiaries is an insurance undertaking, the procedure prescribed in Article 294 of this Act may be used.
- (4) If a mixed-activity holding company or one of its subsidiaries has its head office in a Member State other than that in which the credit institution subsidiary has its head office, on-site examinations to verify information shall be carried out in accordance with the procedures referred to in Article 295 of this Act.

Supervision of intra-group transactions

Article 292

- (1) Without prejudice to the requirements of Part Four of Regulation (EU) No 575/2013, where the parent undertaking of one or more credit institutions is a mixed-activity holding company, the Croatian National Bank shall, as the competent authority responsible for the supervision of these credit institutions, exercise general supervision over transactions between the credit institution and the mixed-activity holding company and its subsidiaries.
- (2) The credit institutions referred to in paragraph (1) of this Article shall:
 - 1) have in place adequate risk management procedures and internal control systems, including sound reporting systems and accounting procedures, in order to identify, measure, monitor and

control intra-group transactions with their parent mixed-activity holding company and its subsidiaries appropriately; and

2) notify the Croatian National Bank of any significant intra-group transaction with their parent mixed-activity holding company and its subsidiaries other than those referred to in Article 394 of Regulation (EU) No 575/2013.

(3) The procedures and significant intra-group transactions referred to in paragraph (2) of this Article shall be subject to overview by the Croatian National Bank.

Exchange of information for the purposes of supervision on a consolidated basis

Article 293

(1) Where a parent undertaking and any of its subsidiaries that are credit institutions have their head office in different Member States and where any of these undertakings has a head office in the Republic of Croatia, the Croatian National Bank shall exchange all relevant information with the competent authorities of other Member States which may allow or aid the exercise of supervision on a consolidated basis.

(2) Where the Croatian National Bank does not itself exercise supervision on a consolidated basis, it may be invited by the competent authorities of the other Member States responsible for exercising such supervision to ask the parent undertaking for any information which would be relevant for the purposes of supervision on a consolidated basis and to transmit it to the competent authorities of the other Member States.

(3) The Croatian National Bank shall not be the competent authority responsible for the supervision on an individual basis of financial holding companies, mixed financial holding companies, other financial institutions, ancillary services undertakings, mixed-activity holding companies and their subsidiaries other than credit institutions, as well as undertakings not included in supervision on a consolidated basis, in respect of which the information referred to in paragraph (2) of this Article is collected or possessed.

Cooperation between supervisory authorities where one of the subsidiaries is an insurance undertaking or an undertaking authorised to provide investment services

Article 294

(1) Where a credit institution, financial holding company, mixed financial holding company or a mixed-activity holding company controls one or more subsidiaries which are insurance undertakings or other undertakings providing investment services which are subject to authorisation, the Croatian National Bank shall cooperate with the supervisory authorities responsible for the supervision of those undertakings.

(2) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall exchange with the supervisory authorities any information likely to simplify their tasks and to allow supervision of the activity and overall financial position of the undertakings they supervise.

(3) Information received within the framework of supervision on a consolidated basis, and in particular any exchange of information between supervisory authorities, shall be subject to the duty to protect the confidentiality of information.

Powers to carry out on-site examinations

Article 295

(1) The competent authorities of another Member State shall request the Croatian National Bank to have an on-site examination carried out if they wish in specific cases to carry out an on-site examination to verify the information concerning the following undertakings with head offices in the Republic of Croatia:

- a credit institution;
- a mixed financial holding company;
- a financial holding company;
- another financial institution;
- an ancillary services undertaking;
- a mixed-activity holding company;
- a subsidiary referred to in Article 294, paragraph (1) of this Act; or
- a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

(2) The Croatian National Bank may, where this is within its competence under this Act, act on the request of the competent authorities of the other Member State in one of the following ways:

- 1) carry out the examination itself;
- 2) allow authorised persons of the competent authorities of the other Member State to carry out an on-site examination pursuant to written consent of the Governor of the Croatian National Bank issued in accordance with an agreement; or
- 3) appoint a certified auditor or another professionally qualified person authorised by the Governor of the Croatian National Bank to carry out an on-site examination.

(3) Where the competent authorities of the other Member State do not carry out the on-site examination referred to in paragraph (1) of this Article, they may participate in the examination carried out by the Croatian National Bank, a certified auditor or another professionally qualified person authorised by the Governor of the Croatian National Bank.

(4) The Croatian National Bank shall request the competent authorities of the other Member State to have an on-site examination carried out if it wishes in specific cases to carry out an on-

site examination to verify the information concerning the following undertakings with head offices in the other Member State:

- a credit institution;
- a mixed financial holding company;
- a financial holding company;
- another financial institution;
- an ancillary services undertaking;
- a mixed-activity holding company;
- a subsidiary referred to in Article 294, paragraph (1) of this Act; or
- a subsidiary of a credit institution, a mixed financial holding company or a financial holding company, which is not included in supervision on a consolidated basis.

Imposition of supervisory measures on financial holding companies, mixed financial holding companies and mixed-activity holding companies

Article 296

Where financial holding companies, mixed financial holding companies, mixed-activity holding companies or responsible persons of these undertakings violate regulations governing supervision on a consolidated basis, the Croatian National Bank shall impose supervisory measures.

Application of regulations to mixed financial holding companies

Article 297

(1) Where the provisions of this Act equivalent to the provisions of the law governing supplementary supervision of financial conglomerates, especially in the part relating to the supervision of operations, apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, after consulting the other authorities competent for the supervision of subsidiary undertakings, adopt a decision that only the relevant provisions of the law governing supplementary supervision of financial conglomerates shall apply to mixed financial holding companies.

(2) Where the provisions of this Act equivalent to the provisions of the law governing insurance, especially in the part relating to the supervision of operations, apply to mixed financial holding companies, the Croatian National Bank, where it is the consolidating supervisor, may, with the consent of the authority competent for the supervision of insurance undertakings, adopt a decision that only the relevant provisions of the law governing the most important financial sector determined under the law governing supplementary supervision of financial conglomerates shall apply to mixed financial holding companies.

(3) The Croatian National Bank shall notify the European Banking Authority and the European Insurance and Occupational Pensions Authority of the decisions it adopted in accordance with paragraphs (1) and (2) of this Article.

Cooperation with the competent authorities of third countries for the purposes of exercising supervision

Article 298

(1) The Croatian National Bank may conclude an agreement with one or more competent authorities of third countries for the purposes of exercising supervision on a consolidated basis over the following:

1) credit institutions the parent undertakings of which have their head office in a third country; or

2) credit institutions situated in third countries the parent undertakings of which, whether credit institutions, mixed financial holding companies or financial holding companies, have their head office in the Republic of Croatia.

(2) The agreement referred to in paragraph (1) of this Article shall seek to ensure the basis for the exchange of information which would be relevant for the purposes of consolidated supervision of credit institutions.

(3) The Croatian National Bank may propose to the European Commission the negotiation of agreements with one or more third countries for the purposes of exercising supervision over credit institutions.

Cooperation arrangements with third countries

Article 299

(1) Where a credit institution which has its head office in the Republic of Croatia and the parent undertaking of which is a credit institution or a mixed financial holding company or a financial holding company, the head office of which is in a third country, is not subject to supervision on a consolidated basis by the Croatian National Bank or the competent authority of another Member State, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, verify whether the subsidiary credit institution which has its head office in the Republic of Croatia is subject to consolidated supervision by a third-country competent authority which is equivalent to that governed by the principles set out in this Act and the requirements of Part One, Title II, Chapter 2 of Regulation (EU) No 575/2013. The Croatian National Bank shall carry out the verification at the request of the parent undertaking or of any of the regulated entities authorised in a Member State, or on its own initiative, and it shall consult the other competent authorities involved in supervision.

(2) While carrying out the verification referred to in paragraph (1) of this Article, the Croatian National Bank shall take into account general guidance of the European Banking Committee as to whether the consolidated supervision arrangements of competent authorities in the third countries in which the head office of the parent undertaking is situated comply with the

principles set out in this Act and Regulation (EU) No 575/2013. For this purpose, the Croatian National Bank shall consult the European Banking Authority before adopting a decision.

(3) Where it is established that in a third country there are no consolidated supervision arrangements equivalent to the principles set out in this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall, if responsible for supervision on a consolidated basis, apply the provisions of this Act and Regulation (EU) No 575/2013 as appropriate, or other appropriate supervisory procedures which achieve the objectives of supervision on a consolidated basis of credit institutions, to the credit institution subsidiary which has its head office in the Republic of Croatia. Those supervisory procedures shall, after consulting the other competent authorities involved in supervision, be agreed upon by the competent authority which would be responsible for the supervision on a consolidated basis of credit institutions.

(4) The Croatian National Bank may in particular cases require the establishment of a financial holding company or a mixed financial holding company which has its head office in one of the Member States and the carrying out of consolidation in accordance with this Act.

XXIII CONSUMER PROTECTION

Consumer

Article 300

For the purposes of the provisions of this Act, 'consumer' means any natural person who is a client of a credit institution, and who is acting for purposes outside his/her trade or profession.

General service information

Article 301

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

(2) Where a credit institution offers credit contracts that reference a benchmark as defined in Article 3, paragraph (1), item (3) of Regulation (EU) No 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016), it shall include in its general service information the name of the benchmark and benchmark administrators and the potential implications for the consumer.

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

Service contracts

Article 302

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

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

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

(4) On request of the consumer and free of charge, the credit institution shall provide the consumer with a draft of the contract referred to in paragraph (2) of this Article unless at the time of the submission of the request the credit institution assessed it is unwilling to proceed to the conclusion of the legal arrangement, of which it shall notify the consumer without delay in writing. The credit institution shall also make the draft credit contract available to other participants in the credit relationship at their own request, which shall not be considered as disclosure of banking or any other secret.

(5) In addition to the draft of the contract referred to in paragraph (2) of this Article, the credit institution shall provide the consumer free of charge with a copy or electronic version of the relevant articles from the applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as of all other bylaws of the credit institution that may impact the financial position of the consumer and with a short explanation of that impact.

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

Disclosure of general operating conditions

Article 303

(1) A credit institution shall disclose to consumers its general operating conditions, including information on the conditions for providing services, in the Croatian language and in an

appropriate place in its business premises where it provides services to consumers. The credit institution may also disclose general operating conditions to consumers on another durable medium or in electronic form.

(2) In addition to the mandatory method of providing information to consumers referred to in paragraph (1) of this Article, a credit institution may provide the same information in other appropriate manners.

(3) A credit institution shall disclose amendments to its general operating conditions in the manner referred to in paragraphs (1) and (2) of this Article at least 15 days before their entry into force.

(4) The information referred to in paragraph (1) of this Article related to the granting of credits shall include the data on:

1) interest rate types;

2) methods and frequency of calculating interest;

3) the terms and conditions under which regular and default interest may be changed during the period of credit utilisation, i.e. repayment;

4) the currencies in which the principal amount may be denominated or to which the principal amount may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;

5) fees and commissions (other than the declared nominal interest) charged by the credit institution to borrowers, including the explanation relating to the possible changes to these fees and commissions during the life of the credit contract with the consumer;

6) effective interest rates reflecting the total price of particular types of credit, calculated in accordance with the regulations of the Croatian National Bank;

7) the terms and conditions for making a deposit with the credit institution, if this is a prerequisite for the granting of a credit;

8) the possibilities and terms and conditions for offsetting credits against the deposits referred to in item (7) of this paragraph;

9) collateral instruments and other terms and conditions imposed by the credit institution laying special stress on the consequences of defaulting on contractual commitments, cancellation or termination of the contract and the order in which collateral is activated;

10) the right of the consumer to withdraw from the contract and the connected time limits provided;

11) the possibilities and the terms and conditions for early repayment of the credit; and

12) the types of costs that might be incurred following the cancellation of credit and/or activation of collateral and/or initiation of forced collection proceedings.

(5) The information referred to in paragraph (1) of this Article related to the acceptance of deposits shall include the data on:

- 1) interest rate types;
- 2) methods and frequency of calculating interest;
- 3) the currencies in which the deposit may be denominated or to which the deposit may be linked and the explanations relating to the risk of change in the exchange rate of these currencies;
- 4) the terms and conditions under which interest rates may be changed;
- 5) the lowest amount accepted in deposit;
- 6) fees for maintaining the accounts and other similar fees and commissions if they are charged by the credit institution to depositors, including the explanation relating to the possible changes to these fees during the life of the deposit contract;
- 7) effective interest rates reflecting the total return on deposit, calculated in accordance with the regulations of the Croatian National Bank;
- 8) basic information on deposit insurance;
- 9) the possibilities as regards the repayment of a time deposit before its maturity date and the consequences thereof;
- 10) the treatment of deposits after the maturity date of the time deposit; and
- 11) the conditions for the management of the assets of minors.

(6) The Croatian National Bank may adopt subordinate legislation to further regulate additional obligations for credit institutions regarding the general operating conditions.

Subordinate legislation of the Croatian National Bank regulating consumer protection

Article 304

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

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

Consumer notification

Article 305

(1) A credit institution shall notify consumers in an agreed upon manner, free of charge, and on an annual basis at a minimum, of the amount of their credits or deposits. In case of credits, such notifications shall include amounts due and payable by the debtor to the credit institution, information as regards the time limit in which the credit institution will send the first and the second collection letter and the warning of a pending cancellation of the credit. Such notifications shall be sent once a year free of charge to the address of the co-debtor and guarantor. The credit institution shall deliver the notification on the amount of credit in the manner referred to in this paragraph up to the moment of the initiation of the judicial debt recovery proceedings.

(2) At the moment of credit cancellation the credit institution shall notify the credit user, co-debtor and guarantor free of charge of:

– the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs; and

– the justification for the items for which collection is sought, specifying the items that can be increased and the interest rate at which they can be increased.

(3) Where the consumer – a debtor under a credit contract and the credit institution fail to agree on the repayment scheme within the maximum of two months following the default on repayment, the credit institution shall notify the co-debtor, pledgor and guarantor on the debt balance outstanding and provide them with a period of 15 days of the date of the notification sent via registered mail to settle the obligation in cash. This provision shall not preclude the credit institution from initiating forced collection proceedings at the moment of recording due but unpaid receivables.

(4) Where variable interest rates have been contracted, a credit institution shall notify consumers of interest rate changes in an agreed upon manner at least 15 days before their application, and in case of credit contracts, the credit institution shall also provide the consumer with the amended loan amortisation schedule. Where interest rates have changed, the credit institution shall in the same notification present and explain to the consumer the changes of parameters that caused the change in interest rates.

(5) Where the interest rate in a credit contract changes upwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(6) Where the interest rate in a credit contract changes downwards and the credit institution fails to notify the consumer of the change in the interest rate in the manner agreed upon at least 15 days prior to the change, it shall postpone the application of the new interest rate until the following calculation period.

(7) Where the consumer – a credit user, upon receipt of the notification on the increase in interest rates does not agree with the change, he/she has the right within three months of the receipt of the notification to early repayment of the credit without paying any charges or fees

to the credit institution, including the charge or fee for early credit repayment. In such a case the credit institution has no right to damages due to early repayment.

(8) A credit institution shall make available to the consumer, at the consumer's request, free of charge and at any moment over the duration of the credit contract, a report in the form of the loan amortisation schedule, including the calculation of the effective interest rate as at the date of the loan amortisation schedule, information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes.

(9) A credit institution shall at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, notify the consumer of the loan repayment in full and inform the consumer of the manner in which to obtain the statement of release and in the case of the rights of third persons who have repaid the loan in part or in full, inform the consumer of the rights of such persons and further conditions to obtain the statement of release, as well as inform the consumer on the manner in which to retrieve all other instruments of collateral of the repaid loan. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who have repaid the loan in part or in full.

Variable interest rate

Article 306

The provisions of the Consumer Credit Act governing variable interest rates shall apply to credit contracts regardless of the total amount and the type of credit granted by a credit institution to a consumer.

Contracting interest rates

Article 307

(1) Where a credit institution offers to contract a variable interest rate, it shall warn the consumer of all risks associated with the variability of the interest rate and contract the parameters affecting the change in the contracted interest rate in the credit and/or deposit contract in a clear and unambiguous manner.

(2) Short-term deposits and short-term credits shall not be contracted with a variable interest rate. For the purposes of this Act, short-term services shall be those contracted for a period of up to 12 months.

(3) Promotional interest rates may be contracted only for short-term services. Promotional interest rates are those offered upon the moment of sale for a specified time period upon the expiry of which the interest rate is adjusted to the market (currently applicable) interest rate level.

Charges and fees

Article 308

(1) For the duration of the contract, a credit institution shall not charge the consumer any charges or fees that were not specified in the Tariff of service fees and charges at the time when the contract was concluded.

(2) The Croatian National Bank may adopt subordinate legislation to further regulate a list of activities to be carried out by credit institutions as part of deposit and lending segment of their consumer operations free of charge.

Consumer complaints

Article 309

(1) The Croatian National Bank shall, within its competence for credit institutions, monitor whether credit institutions comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, the provisions of regulations adopted under this Act and the provisions of the other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(2) The Croatian National Bank shall be competent to monitor whether:

– credit institutions of other Member States, providing services through branches or directly providing mutually recognised services within the territory of the Republic of Croatia, and

– third-country credit institutions authorised by the Croatian National Bank to establish a branch of a third-country credit institutions

comply with their disclosed internal bylaws governing the business relationship between credit institutions and consumers, the contracts concluded with consumers, as well as the consumer protection provisions of this Act, regulations adopted under this Act and the provisions of the other laws governing consumer protection, for the oversight of which it is competent pursuant to these laws.

(3) The Croatian National Bank may require from credit institutions to submit within the time limit set by the Croatian National Bank additional data, reports and other bylaws it deems necessary for the purpose of consumer protection.

(4) Where a consumer deems that a credit institution has not complied with the terms and conditions of a contract on the provision of banking or financial services, disclosed internal bylaws governing the business relationship between credit institutions and clients, the provisions of this Act relating to consumer protection, the provisions of regulations adopted under this Act and the provisions of other laws governing consumer protection he/she may file a complaint against the credit institution to the credit institution.

(5) A credit institution shall entrust at least one of its employees with the task of addressing consumer complaints. A credit institution which has its head office outside the Republic of Croatia and provides services within the territory of the Republic of Croatia through a branch shall entrust at least one employee of its branch in the Republic of Croatia with the task of addressing complaints from consumers in the Republic of Croatia. The credit institution shall appoint a person responsible for monitoring the process of consumer complaint management.

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

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

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

Alternative dispute resolution for consumer disputes

Article 310

(1) In all disputes which may arise in the implementation of the provisions of this Act between a consumer as a user of banking and/or financial services and a credit institution as a provider of banking and/or financial services, a proposal for conciliation may be submitted in accordance with the law governing conciliation, i.e. alternative dispute resolution of domestic and cross-border disputes initiated in accordance with a special regulation governing alternative dispute resolution of consumer disputes.

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

Consumer protection measures

Article 311

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

1) order to stop illegal practices;

2) order to eliminate illegalities and/or irregularities and determine the time limit for doing so;
or

3) order to create, supplement and/or amend procedures, business policies and other bylaws of the credit institution relating to operations with consumers.

Application of a special law

Article 312

In addition to the provisions of Articles 300 to 311 of this Act, the rights of credit institutions' clients shall be protected by special laws governing consumer protection, while observing the provisions of this Act relating to the obligation of banking secrecy.

XXIII.a PROTECTION OF DEPOSITORS

Deposit payout

Article 312a

(1) A credit institution adopting a decision on payments which reduce common equity tier 1 capital items referred to in Article 26, paragraph (1), items (c), (e) and (f) of Regulation (EU) No 575/2013 shall without delay announce the notification thereof on its website and publish it in at least two daily newspapers published in the Republic of Croatia, and the notification shall contain at least the following:

- 1) the decision to reduce common equity tier 1 capital items;
- 2) common equity tier 1 capital of the credit institution prior to the decision on the reduction;
- 3) the amount by which the credit institution's common equity tier 1 capital is reduced;
- 4) common equity tier 1 capital of the credit institution after the decision on the reduction;
- 5) the percentage by which the credit institution common equity tier 1 capital is reduced;
- 6) a statement by the credit institution's management board that after the reduction of common equity tier 1 capital the credit institution will meet all its liabilities towards depositors and all requirements arising from regulations governing the operation of credit institutions; and
- 7) instructions to depositors concerning the way in which they can exercise their rights referred to in paragraph (2) of this Article.

(2) The credit institution shall, at the request of the depositor, pay out the deposit and interest accrued up to the date of the payment, without fees or charges, within 30 days after submission of the depositor's request, provided that the request was submitted within six months after the latest notification of the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and that the deposit meets the following criteria:

- 1) the deposit contract was concluded prior to the notification referred to in paragraph (1) of this Article;
- 2) the deposit is not due at the time the request is submitted; and
- 3) the deposit is not fully covered by deposit insurance.

(3) The credit institution may carry out the reduction of common equity tier 1 capital items referred to in paragraph (1) of this Article and pay out the proposed amount to the shareholders if the following conditions are met:

1) six months have elapsed since the last announcement of a decision to reduce common equity tier 1 capital items within the meaning of paragraph (1) of this Article; and

2) the requests of all depositors referred to in paragraph (2) of this Article have been met in the manner and within the time limits referred to in this Article.

(4) For the purposes of this Title, 'depositor' means a holder or, in the case of a joint account, each of the holders of a deposit, and 'deposit' means a deposit as defined in the law governing deposit insurance.

Payout delay

Article 312b

(1) A credit institution shall not be required to meet the requirements referred to in Article 312a of this Act if it decides to carry out the payout based on the reduction of common equity tier 1 capital items following the expiry of a period of two years of the adoption of the decision to reduce common equity tier 1 capital items.

(2) In the case referred to in paragraph (1) of this Article, the credit institution shall without delay publish the decision to reduce common equity tier 1 capital items and the decision on the time limit for payment on its website.

Treatment of the reduction of common equity tier 1 capital items

Article 312c

The credit institution shall treat the amount by which it decided to reduce its common equity tier 1 capital items referred to in Article 312a, paragraph (1) of this Act as items that are not available to the credit institution for unrestricted and immediate use to cover risks or losses and the amount shall not be reported as part of common equity tier 1 capital of the credit institution.

XXIV SAVINGS BANKS

Savings bank

Article 313

(1) A savings bank shall be a credit institution authorised by the Croatian National Bank as a savings bank and established as a joint stock company which has its head office in the Republic of Croatia.

(2) The firm name of a savings bank must contain the words 'savings bank'.

(3) The words 'savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies and used in legal transactions only by a legal person authorised by the Croatian National Bank as a savings bank.

(4) By way of derogation from paragraph (3) of this Article, the words 'savings bank' in the firm name may be used in legal transactions by a savings bank that has been authorised as a bank in accordance with Article 317 of this Act.

Application of other regulations

Article 314

With the exception of the provisions of Article 22 and Articles 74 to 82 of this Act, the provisions of this Act, regulations adopted under this Act, and of other regulations governing the operation of credit institutions shall apply *mutatis mutandis* to savings banks.

Savings bank activities

Article 315

(1) Savings banks may provide the banking services referred to in Article 7 of this Act.

(2) In addition to the banking services referred to in paragraph (1) of this Article, savings banks may provide the following financial services subject to authorisation by the Croatian National Bank:

- 1) issuance of guarantees or other commitments;
- 2) lending, including consumer and mortgage credits, where permitted by a special law;
- 3) trading for own account in:
 - money market instruments;
 - transferable securities;
 - foreign exchange, including currency exchange transactions;
- 4) money transmission services in the country in accordance with special laws;
- 5) credit reference services, such as collection, analysis and provision of information on the creditworthiness of legal and natural persons that conduct their business independently;
- 6) activities related to the sale of insurance policies in accordance with the law governing insurance;
- 7) issuing and administering other means of payment, if the provision of such services is not considered the provision of services within the meaning of item (4) of this paragraph and pursuant to a special law;
- 8) safe custody services;
- 9) money broking; and

10) other services similar to the services referred to in items (1) to (9) of this paragraph and listed in the savings bank's authorisation.

(3) Savings banks may neither operate nor establish branches and representative offices outside the Republic of Croatia.

Preferential shares of savings banks

Article 316

Savings banks may not issue preferential shares.

Authorisations to savings banks intending to operate as banks

Article 317

(1) A savings bank intending to operate as a bank shall obtain authorisation from the Croatian National Bank to operate as a bank.

(2) The provisions of this Act governing the authorisation procedure shall apply *mutatis mutandis* to the authorisation procedure regarding a savings bank intending to operate as a bank.

(3) When deciding whether to grant the authorisation referred to in paragraph (1) of this Article, the Croatian National Bank may require the chairperson and members of the management board to make a presentation detailing how they propose to direct the business of the bank.

(4) The Croatian National Bank shall decide on the authorisation referred to in paragraph (1) of this Article on the basis of:

1) documents delivered together with the application for authorisation;

2) the presentation referred to in paragraph (3) of this Article; and

3) other data and information available to it.

(5) The authorisation to operate as a savings bank shall expire on the date of issue of the authorisation referred to in paragraph (1) of this Article.

XXV HOUSING SAVINGS BANKS

Housing savings banks

Article 318

The provisions of this Act shall apply to housing savings banks established under the provisions of the Act on Housing Savings and State Incentive to Housing Savings, unless otherwise prescribed in other laws.

Protection of the name

Article 319

The words 'housing savings bank' or derivatives of these words, if contained in the firm name, may be entered in the register of companies or used in legal transactions only by the housing savings banks referred to in Article 318 of this Act, unless otherwise provided for in another law.

XXVI ASSOCIATION OF CREDIT INSTITUTIONS

Association of credit institutions

Article 320

(1) Credit institutions may join an association of credit institutions established as an economic interest group or other form of association of economic entities in accordance with a special law.

(2) In addition to the tasks laid down in its Articles of Association, an association of credit institutions may:

1) organise the exchange of information on creditworthiness for the purpose of protection against credit risk; and

2) provide professional training for employees of credit institutions and issue certificates of completion of the professional training.

(3) Credit institutions may not conclude any written or oral agreement with other credit institutions or their associations that would restrict free market competition.

(4) At the request of the Croatian National Bank, an association of credit institutions shall deliver to the Croatian National Bank its Articles of Association as well as all agreements, contracts and other general bylaws.

Credit register

Article 321

(1) The Croatian National Bank may collect information from persons who are authorised under this Act to provide banking services within the territory of the Republic of Croatia and organise the exchange of information for the purpose of protection against credit risk.

(2) The Croatian National Bank may adopt subordinate legislation to further regulate the methods of and the conditions for collecting information for the purpose of protection against credit risk.

XXVII DECISION-MAKING METHODS AND PROCEDURES OF THE CROATIAN NATIONAL BANK

XXVII.1 GENERAL PROVISIONS

Restitution

Article 322

It shall not be possible to require restitution in an administrative procedure carried out by the Croatian National Bank.

Decision

Article 323

Decisions issued by the Croatian National Bank in an administrative procedure must be written and fully reasoned. No complaint against such decisions shall be allowed, but administrative dispute may be initiated against them.

Amendments to decisions

Article 324

(1) In the course of supervision of a credit institution, the Croatian National Bank may amend its decision at the request of the party concerned or *ex officio*.

(2) The Croatian National Bank may amend its decision in cases where, after the issue of the authorisation, new circumstances have arisen which would or could influence the operation of the credit institution in question.

(3) In the cases referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall also take into account all facts and circumstances arising after the adoption of the decision referred to in paragraph (1) of this Article or after the issue of the authorisation.

Liability for damage

Article 325

The Croatian National Bank, employees of the Croatian National Bank and persons authorised by the Croatian National Bank shall not be liable for damage that may arise in the course of the performance of their duties under this Act, the Act on the Croatian National Bank, Regulation (EU) No 575/2013 or regulations adopted under these acts and Regulation, unless it is proven that they acted or failed to act intentionally or as a result of gross negligence.

XXVII.2 AUTHORISATION PROCEDURE

Initiation of authorisation procedures

Article 326

The Croatian National Bank may initiate an authorisation procedure at the request of the party concerned, *ex officio* or at the request of another competent authority where so provided for in this Act or Regulation (EU) No 575/2013.

Time limits

Article 327

(1) Within six months of receipt of a valid application, the Croatian National Bank must decide on:

1) an application for authorisation and all other applications referred to in Article 66 of this Act; and

2) an application for authorisation for merger by acquisition, authorisation for merger by formation of a new credit institution, or authorisation for division of credit institutions.

(2) The time limit for the adoption of the decisions and notifications on the decisions referred to in paragraph (1) of this Article may not be longer than 12 months from the date of receipt of the application.

Enforcement of decisions

Article 328

Decisions of the Croatian National Bank shall be enforceable at the moment of their delivery to the parties to the proceedings, unless otherwise prescribed in this Act.

XXVIII REORGANISATION MEASURES, WINDING-UP AND BANKRUPTCY PROCEEDINGS WITH INTERNATIONAL IMPLICATIONS

XXVIII.1 GENERAL PROVISIONS

General provision

Article 329

The provisions of the Bankruptcy Act governing international bankruptcy proceedings shall apply *mutatis mutandis* to bankruptcy proceedings against a credit institution or its branch, unless otherwise provided for in this Act.

Scope of application

Article 330

The provisions of this Title shall apply to credit institutions with head offices in the Republic of Croatia and their branches in other Member States, credit institutions of other Member States and their branches in the Republic of Croatia, and branches of a third-country credit institutions in the Republic of Croatia only where the third-country credit institution has branches in at least one other Member State.

Definitions

Article 331

The terms used shall mean the following for the purposes of this Title and in accordance with the law applicable in each Member State:

- 'administrator' means any person or body appointed by the administrative, public or judicial authorities whose task is to administer reorganisation measures;
- 'administrative authorities, agencies and other public or judicial authorities' means the administrative authorities, agencies and other public or judicial authorities of the Member States as are competent for the purposes of reorganisation measures, winding-up or bankruptcy proceedings;
- 'liquidator' means any person or body appointed by the administrative, public or judicial authorities whose task is to administer winding-up proceedings;
- 'winding-up proceedings' means collective proceedings opened and monitored by the administrative, public or judicial authorities of a Member State with the aim of realising assets under the supervision of those authorities, including where the proceedings are terminated by a composition or other, similar measure;
- 'trustee in bankruptcy' means any person or body appointed by the administrative, public or judicial authorities or creditors whose task is to administer and liquidate the bankruptcy estate, and monitor the business activities of a debtor in bankruptcy;
- 'bankruptcy proceedings' means collective proceedings opened and monitored by the judicial or other authorities of a Member State, after establishing the existence of the grounds for bankruptcy, which result in seizure of all or a part of the debtor's property and the appointment of a trustee in bankruptcy with the aim of collective settlement of claims of the debtor's creditors under the supervision of those authorities, and regulating the legal relationship between the debtor and its creditors, and in particular to restore its viability;
- 'reorganisation measures' means measures which are intended to preserve or restore the financial situation of a credit institution, which could affect third parties' pre-existing rights, including measures involving the possibility of a suspension of payments, suspension of enforcement measures or reduction of claims; those measures include the application of resolution tools and the exercise of resolution powers provided for in the Act on the Resolution of Credit Institutions and Investment Firms and special regulations governing resolution and transposing the provisions of Directive 2014/59/EU;
- 'competent authority' means a competent authority as defined in Article 4, paragraph (1), item (40) of Regulation (EU) No 575/2013 or a resolution authority as defined in the Act on the Resolution of Credit Institutions and Investment Firms in respect of reorganisation measures taken pursuant to that Act.

XXVIII.2 REORGANISATION MEASURES

Legal effects of a decision on reorganisation measures

Article 332

Reorganisation measures imposed by the administrative authorities, agencies and other public or judicial authorities on a credit institution which has its head office in another Member State and has branches within the territory of the Republic of Croatia shall be governed by the law of the home Member State and shall have full legal effects within the territory of the Republic of Croatia on third parties once they become effective in the home Member State.

Notification to competent authorities of host Member States

Article 332a

(1) Where the Republic of Croatia is the home Member State in which a decision to introduce reorganisation measures against a credit institution which has branches in another Member State is adopted, the Croatian National Bank shall without delay notify the competent authority of the host Member State accordingly, including the practical legal effects which such proceedings may have, if possible before the proceedings are introduced or otherwise immediately thereafter.

(2) Paragraph (1) of this Article shall not apply where resolution actions are applied in accordance with a special law.

Notification to competent authorities of home Member States

Article 332b

If a decision to introduce reorganisation measures against a branch of a credit institution from another Member State is adopted in the Republic of Croatia as the host Member State, the Croatian National Bank shall notify the competent authority of the home Member State thereof.

Public disclosure

Article 332c

(1) Where the implementation of reorganisation measures in the Republic of Croatia as the home Member State in the credit institution that has a subsidiary in another Member State could affect third parties' rights in the host Member State and where an appeal or other legal remedy is possible against the decision to introduce reorganisation measures in the Republic of Croatia, the Croatian National Bank or the State Agency for Deposit Insurance and Bank Resolution shall publish a notification of the decision to introduce a reorganisation measure in the Official Journal of the European Union and two daily newspapers in each of the host Member States in order to facilitate the exercise of the right of appeal or use of another legal remedy.

(2) The Croatian National Bank or the State Agency for Deposit Insurance and Bank Resolution shall deliver the notification of the decision to introduce the reorganisation measure referred to in paragraph (1) of this Article to the Publications Office of the European Union and two national daily newspapers in each of the host Member States as soon as practicable.

(3) The notification referred to in paragraph (1) of this Article shall be published in the official language or languages of the Member State concerned and shall specify the purpose and legal

basis for the adoption of the reorganisation measure, time limits for lodging of appeals or for other legal remedies, clearly indicating the date when the time limits expire, and stipulating the full address of the authority or court competent for deciding on appeals or other legal remedies.

(4) The reorganisation measure referred to in paragraph (1) of this Article is enforceable regardless of the activities referred to in paragraphs (1) to (3) of this Article and shall have legal effects on the creditors, unless otherwise prescribed.

XXVIII.3 WINDING-UP AND BANKRUPTCY PROCEEDINGS

XXVIII.3.1 Winding-up and bankruptcy proceedings against credit institutions with head offices in the Republic of Croatia and credit institutions of other Member States

International jurisdiction to open winding-up or bankruptcy proceedings

Article 333

When the Croatian National Bank adopts a decision to initiate compulsory winding-up proceedings or when the competent commercial court in the Republic of Croatia adopts a decision to open bankruptcy proceedings against a credit institution which has a branch in another Member State, these proceedings shall also be carried out for branches of the credit institution operating within the territory of the other Member State and shall have legal effects on third parties.

Special bankruptcy proceedings

Article 334

Deleted.

Recognition of a decision to open winding-up or bankruptcy proceedings

Article 335

A decision to open winding-up or bankruptcy proceedings against a credit institution of another Member State, which has been adopted by the administrative, public or judicial authority of the home Member State, shall be recognised in the Republic of Croatia without any further formalities and shall have legal effects in the Republic of Croatia once it becomes effective in the home Member State.

Notification to other competent authorities

Article 336

(1) Where the Republic of Croatia is the home Member State in which a decision to initiate compulsory winding-up proceedings against a credit institution which has branches in another Member State is adopted, the Croatian National Bank shall without delay notify the competent supervisory authority of the host Member State accordingly, including the practical legal effects

which such proceedings may have, if possible before the proceedings open or otherwise immediately thereafter.

(2) Where the competent commercial court in the Republic of Croatia as the home Member State adopts a decision to open bankruptcy proceedings against a credit institution which has branches in another Member State, the competent commercial court shall without delay notify the Croatian National Bank accordingly, including the practical legal effects which such proceedings may have. The Croatian National Bank shall deliver that notification to the competent supervisory authority of the host Member State without delay, if possible before the proceedings open or otherwise immediately thereafter.

Publication

Article 337

Where the Republic of Croatia is the home Member State in which a decision to open winding-up or bankruptcy proceedings against a credit institution which has branches in another Member State is adopted, the liquidator or trustee in bankruptcy shall publish the dispositive part of the decision to open winding-up or bankruptcy proceedings in the Official Journal of the European Union and two daily newspapers in each of the host Member States, and in the official language or languages of the host Member States concerned.

Notification to known creditors

Article 338

(1) Where the Republic of Croatia is the home Member State in which a decision to open winding-up or bankruptcy proceedings against a credit institution which has branches in another Member State is adopted, the liquidator or the competent commercial court shall without delay individually notify known creditors who have their domiciles, normal places of residence or head office in other Member States.

(2) The notification referred to in paragraph (1) of this Article shall in particular deal with time limits, the penalties laid down in regard to those time limits, the body or authority empowered to accept the lodgement of claims, the content of the lodgement of claims, documents to be enclosed and the other measures laid down. Such a notification shall also clearly indicate whether creditors whose claims are preferential or secured in rem (creditors with rights based on reservation of title and creditors entitled to separate satisfaction) need lodge their claims.

(3) The notification referred to in paragraph (2) of this Article shall be provided in the official language or languages of a Member State in which a creditor has his domicile, normal place of residence or head office. For that purpose a form shall be used bearing, in addition to the information referred to in paragraph (2) of this Article, in all the official languages of the European Economic Area, the heading 'Invitation to lodge a claim. Time limits to be observed'.

(4) The central government administration body responsible for judicial matters shall prescribe the form of the notification referred to in paragraph (3) of this Article within 60 days of the entry into force of this Act.

Foreign creditors' right to lodge claims

Article 339

(1) Where the Republic of Croatia is the home Member State in which winding-up or bankruptcy proceedings have been opened against a credit institution, any creditor who has his domicile, normal place of residence or head office in another Member State, including Member States' public authorities, shall have the right to lodge claims in the said winding-up or bankruptcy proceedings carried out in the Republic of Croatia.

(2) The claims of the creditors referred to in paragraph (1) of this Article shall be treated in the same way and accorded the same ranking as claims of an equivalent nature which may be lodged by creditors having their domiciles, normal places of residence or head office in the Republic of Croatia.

(3) The creditors referred to in paragraph (1) of this Article shall lodge their claims in accordance with the instructions provided in the notification referred to in Article 338, paragraph (2) of this Act.

(4) A creditor may lodge his claim in the official language or one of the official languages of a Member State in which he has his domicile, normal place of residence or head office provided that the lodgement of his claim or the submission of observations on his claim shall bear the heading 'Lodgement of claim and submission of observations relating to claims' in the Croatian language. The liquidator or trustee in bankruptcy may require creditors to submit a certified translation in the Croatian language of the lodgement of their claims and of observations relating to claims.

Regular notification to creditors

Article 340

Liquidators in winding-up proceedings or creditors' committees in bankruptcy proceedings against credit institutions shall notify creditors regularly and in writing, particularly with regard to progress in the winding-up or bankruptcy proceedings.

Law applicable

Article 341

(1) Winding-up or bankruptcy proceedings against a credit institution of another Member State shall be carried out in accordance with the regulations applicable in its home Member State, unless otherwise provided for in this Act.

(2) The law of the home Member State shall determine in particular:

- 1) the goods included in the estate and the treatment of goods acquired by the credit institution after the opening of winding-up or bankruptcy proceedings;
- 2) the respective powers of the credit institution, the liquidator or trustee in bankruptcy;
- 3) the conditions under which set-offs may be invoked;

- 4) the effects of the opening of winding-up or bankruptcy proceedings on current contracts to which the credit institution is party;
- 5) the legal effects of the opening of winding-up or bankruptcy proceedings on proceedings brought by individual creditors, with the exception of lawsuits pending, as provided for in Article 356 of this Act;
- 6) the claims which are to be lodged against the credit institution undergoing winding-up or bankruptcy proceedings and
the treatment of claims arising after the opening of such proceedings;
- 7) the rules governing the lodging, verification and admission of claims;
- 8) the rules governing the distribution of the proceeds of the realisation of assets, the ranking of claims and the rights of creditors who have obtained partial satisfaction after the opening of winding-up or bankruptcy proceedings by virtue of a right in rem or through a set-off;
- 9) the conditions for, and the legal effects of, the closure of winding-up or bankruptcy proceedings, in particular by composition;
- 10) creditors' rights after the closure of winding-up or bankruptcy proceedings;
- 11) who is to bear the costs and expenses incurred in the winding-up or bankruptcy proceedings;
and
- 12) the rules relating to legal acts which are null and void, voidable or relatively void because they are detrimental to the creditors as a whole.

Honouring of obligations for the benefit of a credit institution

Article 342

- (1) Where an obligation has been honoured for the benefit of a credit institution which has a branch in another Member State and which is the subject of winding-up or bankruptcy proceedings opened in another Member State, the person honouring the obligation shall be deemed to have discharged it if he was unaware of the opening of proceedings.
- (2) Where such an obligation is honoured before the publication provided for in Article 337 of this Act has been effected, the person referred to in paragraph (1) of this Article shall be presumed, in the absence of proof to the contrary, to have been unaware of the opening of winding-up or bankruptcy proceedings.
- (3) Where the obligation is honoured after the publication provided for in Article 337 of this Act has been effected, the person referred to in paragraph (1) of this Article shall be presumed, in the absence of proof to the contrary, to have been aware of the opening of winding-up or bankruptcy proceedings.

Activities in winding-up or bankruptcy proceedings

Article 343

Where winding-up proceedings have been initiated or bankruptcy proceedings have been opened against a credit institution of a Member State which has a branch in the Republic of Croatia and where its authorisation has been revoked, such a decision shall not prevent certain activities of the branch of that institution from continuing insofar as is necessary or appropriate for the purposes of winding-up or bankruptcy proceedings.

Effects of activities in the course of the voluntary winding-up

Article 344

Where the regulations applicable in the home Member State provide that the voluntary winding-up of a credit institution of that Member State shall not preclude the adoption of a reorganisation measure or the opening of bankruptcy proceedings concerning that credit institution, the adoption of reorganisation measures or the opening of bankruptcy proceedings shall have the same legal effect on a branch of that credit institution within the territory of the Republic of Croatia.

XXVIII.3.2 Winding-up and bankruptcy proceedings against branches of third-country credit institutions

Branches of third-country credit institutions

Article 345

(1) Where the Croatian National Bank intends to adopt a decision to initiate compulsory winding-up proceedings or where a commercial court in the Republic of Croatia intends to adopt a decision to open bankruptcy proceedings against a branch of a third-country credit institution operating in the Republic of Croatia, it shall without delay notify accordingly the competent supervisory authority of the home country in question, including the practical legal effects which such decision may have.

(2) Where a decision to open bankruptcy proceedings against a branch of a third-country credit institution which has branches in another Member State is adopted in the Republic of Croatia, the competent commercial court in the Republic of Croatia shall without delay notify the Croatian National Bank accordingly, including the practical legal effects which such decision may have. The Croatian National Bank shall without delay deliver that notification to the competent supervisory authority of the home country in question and the competent supervisory authority of the other host Member State, if possible before the proceedings open or otherwise immediately thereafter.

(3) In the case referred to in paragraph (1) of this Article, the Croatian National Bank, the competent commercial court, liquidators or trustees in bankruptcy shall endeavour to cooperate and coordinate their actions with the other competent supervisory authorities.

XXVIII.4 PROVISIONS COMMON TO REORGANISATION MEASURES AND WINDING-UP OR BANKRUPTCY PROCEEDINGS CONCERNING CREDIT INSTITUTIONS OF THE MEMBER STATES

Legal effects on certain contracts and rights

Article 346

The legal effects of a reorganisation measure or the opening of winding-up or bankruptcy proceedings on:

- 1) employment contracts and relationships shall be governed solely by the law of the Member State applicable to the employment contract;
- 2) a contract conferring the right to make use of or acquire immovable property shall be governed solely by the law of the Member State within the territory of which the immovable property is situated. That law shall determine whether property is movable or immovable; and
- 3) rights in respect of immovable property, a ship or an aircraft subject to registration in a public register shall be governed solely by the law of the Member State under the authority of which the register is kept.

Third parties' rights in rem

Article 347

(1) The adoption of reorganisation measures or the opening of winding-up or bankruptcy proceedings shall not affect the rights in rem of creditors or third parties in respect of tangible or intangible, movable or immovable assets – both specific assets and collections of indefinite assets as a whole which change from time to time – belonging to the credit institution established in the Republic of Croatia or another Member State which are situated within the territory of another Member State at the time of the adoption of such measures or the opening of winding-up or bankruptcy proceedings.

(2) The rights referred to in paragraph (1) of this Article shall in particular mean:

- 1) the right to dispose of assets or have them disposed of and to obtain satisfaction from the proceeds of or income from those assets, in particular by virtue of a lien or a mortgage;
- 2) the exclusive right to have a claim met, in particular a right guaranteed by a lien in respect of the claim or by assignment of the claim by way of a guarantee;
- 3) the right to demand the assets from, and/or to require restitution by, anyone having possession or use of them contrary to the wishes of the party so entitled; and
- 4) a right in rem to the beneficial use of assets.

(3) The right, recorded in a public register and enforceable against third parties, under which a right in rem within the meaning of paragraph (1) of this Article may be obtained, shall be considered a right in rem.

(4) The provision of paragraph (1) of this Article shall not preclude the actions for voidness, voidability or relative voidness of legal acts, where such actions are permitted by the law of the home Member State.

Reservation of title

Article 348

(1) The adoption of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning a credit institution established in the Republic of Croatia or another Member State and purchasing an asset shall not affect the seller's rights based on a reservation of title where at the time of the adoption of such measures or opening of winding-up or bankruptcy proceedings the asset is situated within the territory of a Member State other than the State in which the said measures were adopted or the said proceedings were opened.

(2) The adoption of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning a credit institution established in the Republic of Croatia or another Member State and selling an asset, after delivery of the asset, shall not constitute grounds for rescinding or terminating the sale and shall not prevent the purchaser from acquiring title where at the time of the adoption of such measures or the opening of winding-up or bankruptcy proceedings the asset sold is situated within the territory of a Member State other than the State in which the said measures were adopted or the said proceedings were opened.

(3) The provision of paragraph (1) of this Article shall not preclude the actions for voidness, voidability or relative voidness of legal acts, where such actions are permitted by the law of the home Member State.

Set-off

Article 349

(1) The adoption of reorganisation measures or the opening of winding-up or bankruptcy proceedings shall not affect the right of creditors to demand the set-off of their claims against the claims of the credit institution established in the Republic of Croatia or another Member State, where such a set-off is permitted by the law applicable to the credit institution's claim.

(2) The provision of paragraph (1) of this Article shall not preclude the actions for voidness, voidability or relative voidness of legal acts, where such actions are permitted by the law of the home Member State.

Law applicable to proprietary rights and other rights in instruments

Article 350

(1) In the course of the implementation of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning a credit institution established in the Republic of Croatia or another Member State, the enforcement of proprietary rights in instruments or other rights in such instruments the existence or transfer of which presupposes their recording in a public register, an account or a centralised deposit system held or located in a Member State shall be governed by the law of the Member State where the public register, account, or centralised deposit system in which those rights are recorded is held or located.

(2) By way of derogation from paragraph (1) of this Article, in the course of the implementation of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning

a credit institution established in the Republic of Croatia or another Member State, securities repurchase agreements shall be governed solely by the law of the contract which governs such agreements.

(3) By way of derogation from paragraph (1) of this Article, in the course of the implementation of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning a credit institution established in the Republic of Croatia or another Member State, transactions carried out in the context of a regulated market shall be governed solely by the law of the contract which governs such transactions.

Set-off and netting agreements

Article 351

In the course of the implementation of reorganisation measures or the opening of winding-up or bankruptcy proceedings concerning a credit institution established in the Republic of Croatia or another Member State, set-off and netting agreements shall be governed solely by the law of the contract which governs such agreements.

Administrators, liquidators and trustees in bankruptcy

Article 352

(1) The appointment of an administrator, liquidator, or trustee in bankruptcy to a credit institution established in another Member State within the territory of another Member State shall be evidenced in the Republic of Croatia by a certified copy of the original decision appointing him or by any other certificate issued by the administrative, public or judicial authority of the home Member State. A translation into the Croatian language of that decision or certificate may be required in the Republic of Croatia. No legalisation or other similar formality shall be required.

(2) Administrators, liquidators, or trustees in bankruptcy appointed within the territory of another Member State shall be entitled to exercise within the territory of the Republic of Croatia all the powers which they are entitled to exercise within the territory of the home Member State. They may also appoint persons to assist or, where appropriate, represent them in the course of the proceedings.

(3) In exercising their powers, the persons referred to in paragraphs (1) and (2) of this Article shall comply with the laws and regulations of the Republic of Croatia, in particular with regard to procedures for the realisation of assets and the provision of information to employees. Those powers may not include the use of force or the right to rule on legal proceedings or disputes.

Registration in a public register

Article 353

(1) The administrator, liquidator or trustee in bankruptcy, or any administrative or judicial authority of the home Member State may request that a reorganisation measure or the decision to open winding-up or bankruptcy proceedings be registered in the Republic of Croatia in the

register of companies, the crafts register, the land register, the ship register, the register of ships under construction, the register of aircrafts or the register of intellectual property rights.

(2) Where the Republic of Croatia is the home Member State in which winding-up or bankruptcy proceedings have been opened, the liquidator or trustee in bankruptcy shall request that the decision to open winding-up or bankruptcy proceedings be registered in each of the host Member States.

(3) The costs of registration shall be regarded as costs and expenses incurred in the proceedings.

Acts detrimental to the creditors as a whole

Article 354

Where winding-up or bankruptcy proceedings have been opened against a credit institution which has its head office in the Republic of Croatia, the law of the Republic of Croatia relating to the voidness, voidability or relative voidness of legal acts detrimental to the creditors as a whole shall not apply where the beneficiary of these acts provides proof that:

- 1) the act detrimental to the creditors as a whole is subject to the law of a Member State other than the Republic of Croatia; and
- 2) that law does not allow any means of challenging that act in the case in point.

Protection of third parties

Article 355

(1) Where, by an act concluded after the adoption of a reorganisation measure or the opening of winding-up or bankruptcy proceedings, a credit institution established in the Republic of Croatia or another Member State disposes, for consideration, of an immovable asset, the validity of that legal act shall be governed by the law of the Member State within the territory of which the immovable asset is situated.

(2) Where, by an act concluded after the adoption of a reorganisation measure or the opening of winding-up or bankruptcy proceedings, a credit institution established in the Republic of Croatia or another Member State disposes, for consideration, of a ship or an aircraft subject to registration in a public register, or instruments or rights in such instruments the existence or transfer of which presupposes their being recorded in a public register, an account or a centralised deposit system held or located in the Member State in question, the validity of that legal act shall be governed by the law of the Member State under the authority of which that public register, account or deposit system is kept.

Lawsuits pending

Article 356

The legal effects of reorganisation measures, winding-up or bankruptcy proceedings on a pending lawsuit concerning an asset or a right which has been included in the estate shall be governed solely by the law of the Member State in which the lawsuit is pending.

Duty to protect the confidentiality of information

Article 357

- (1) All persons required to divulge or receive information in connection with the notification or consultation procedures laid down in Article 345 of this Act shall be bound by the duty to protect the confidentiality of information in accordance with the provisions of this Act on the exchange and protection of confidential information, with the exception of any judicial authorities.
- (2) Paragraph (1) of this Article shall not apply in case of the obligation to protect the confidentiality of information under the Act on the Resolution of Credit Institutions and Investment Firms.

XXVIIIa CONVERSION OF LOANS DENOMINATED IN CHF AND DENOMINATED IN KUNA WITH A CURRENCY CLAUSE IN CHF

Subject of conversion

Article 357a

- (1) This title governs the obligations of credit institutions and credit users:
- in the procedure of conversion of loans denominated in CHF into loans denominated in EUR;
 - in the procedure of conversion of loans denominated in kuna with a currency clause in CHF into loans denominated in kuna with a currency clause in EUR;
 - in the procedure of conversion of a claim arising from a termination of a credit contract referred to in the first and the second indent of this paragraph from a claim denominated in CHF into a claim denominated in EUR or a claim denominated in kuna with a currency clause in CHF into a claim denominated in kuna with a currency clause in EUR.
- (2) For the purpose of this Title XXVIIIa, a credit user is a natural person who performs the activity of a freelancer, craftsman, sole trader and family farm holder.
- (3) The provisions of this title shall apply to loans denominated in CHF and loans denominated in kuna with a currency clause in CHF, regardless of their type and purpose, in which the obligation of a borrower under a loan or an obligation of repayment of the received arising from the termination of a credit contract has not been fulfilled or enforced.
- (4) The provisions of this title shall not apply to loans referred to in paragraph (3) of this Article which have, by the date of entry into force of this Act, been converted from CHF into another currency or kuna or whose currency clause has been converted from a currency clause in CHF into another currency clause or kuna and to loans denominated in CHF and denominated in kuna with a currency clause in CHF, the obligation of the borrower of which has been fulfilled or enforced.
- (5) The provisions of this title shall also apply to the legal person to whom a claim arising from obligatory relations referred to in paragraph (1) of this Article has been transferred.

Principle of loan conversion

Article 357b

The conversion of a loan denominated in CHF into a loan denominated in EUR and of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR shall imply loan conversion for the purpose of currency change or a change in the currency of the currency clause in which a loan is denominated and shall be carried out in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR and that the position of a credit user with a loan denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR.

Manner of calculation of loan conversion

Article 357c

(1) Loan conversion shall imply conversion for the purpose of currency change or a change in the currency of the currency clause in which a loan is denominated and shall be calculated in such a way that:

1. the amount of the initially granted principal of a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF is recalculated to the amount of the principal of a loan denominated in EUR and denominated in kuna with a currency clause in EUR, using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the type the credit institution used on that date for loans of the same type and duration, denominated in EUR and denominated in kuna with a currency clause in EUR, with the amount of the initially granted principal being the amount entered in the business books of the credit institution where this amount may be greater than the amount disbursed as a result of exchange rate differences arising from the foreign exchange purchase/sale taking place at the time of loan disbursement;

2. instead of the initially agreed interest rate on a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF, the interest rate is applied which is equal to the interest rate (in terms of amount, type and period of change) which the credit institution applied to loans of the same type and duration denominated in EUR and denominated in kuna with a currency clause in EUR on the date of entering into a credit contract, respecting reductions in interest rates, the exchange rate or terms granted to specific similar groups of credit users based on age, purpose of credit, of the same type and duration denominated in EUR and credits denominated in kuna with a currency clause in EUR on the date of entering into a credit contract denominated in CHF and a credit contract denominated in kuna with a currency clause in CHF.

3. the initially determined loan amortisation schedule for a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments and annuities in CHF and in kuna with a currency clause in CHF have been calculated, is replaced with a new loan amortisation schedule calculated in accordance with items (1) and (2) of this paragraph on the basis of which new instalments or annuities in EUR and in kuna with a currency clause in EUR shall be calculated, taking into

account all the changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount, type and the period of change in interest rates and other changes which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities;

4. the amounts paid for the settlement of the initially determined instalments or annuities in CHF and in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purpose of conversion) are converted into EUR and with a currency clause in EUR, using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the credit institution used on that date for loans of the same type and duration, denominated in EUR and denominated in kuna with a currency clause in EUR. Such amounts converted into EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined on the basis of a new loan amortisation schedule in EUR and with a currency clause in EUR referred to in item (3) of this paragraph, respecting the order of settlement of due obligations in accordance with the general conditions of the credit institution and not charging default interest;

5. the total amount paid determined in EUR and with a currency clause in EUR in the manner referred to in item (4) of this paragraph that is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in item (3) of this paragraph shall be considered overpayment which shall:

– if the amount of overpayment does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015, in accordance with a loan amortisation schedule referred to in item (3) of this paragraph, be used for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR or with a currency clause in EUR may be closed out by overpayment, until the overpayment is used in full, with the credit institution and the credit user, if the amount of overpayment exceeds 50% of the sum total of instalments or annuities in EUR and with a currency clause in EUR, outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in item (3) of this paragraph, defining in an agreement the manner of utilisation of the amount of overpayment in excess of 50% of the sum total of instalments or annuities in EUR and with a currency clause in EUR;

– if the amount of overpayment exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in item (3) of this paragraph, be reimbursed to the credit user by the credit institution within 60 days of the date of acceptance of the conversion by the credit user.

The amount of overpayment referred to in this item shall be calculated in kuna using the exchange rate applicable on 30 September 2015 and the calculation of the payment of interest on this amount and exchange rate differences arising from this amount shall not be the obligation of the credit institution but shall be borne by the credit user.

6. the total amount paid determined in EUR and with a currency clause in EUR in the manner referred to in item (4) of this paragraph which is smaller than the sum total of instalments or annuities in EUR and with a currency clause in EUR determined in the manner

referred to in item (3) of this paragraph is paid by the credit user to the credit institution in accordance with an agreement between the credit institution and the credit user, and the obligations under the new loan amortisation schedule in EUR and with a currency clause in EUR continue to be fulfilled by the credit user;

7. the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR is determined as at 30 September, as the difference between the new loan amortisation schedule determined in accordance with item (3) of this paragraph and the amounts paid determined in accordance with item (4) of this paragraph, with the amount of overpayment determined in item (5) of this paragraph not reducing the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR and any shortage in the amount paid determined in item (6) of this paragraph being settled in accordance with an agreement between the credit institution and the credit user;

8. the effect of conversion is determined as the difference:

- between the balance of the principal outstanding in CHF and with a currency clause in CHF entered in the business books of the credit institution as at 30 September 2015 calculated in EUR and in kuna with a currency clause in EUR at the exchange rate applicable on 30 September 2015 which is equal to the exchange rate of the type that the credit institution used on that date for loans of the same type and duration in EUR and in kuna with a currency clause in EUR, with the restriction on the exchange rate referred to in Article 157 of the Act on Amendments to the Credit Institutions Act, Official Gazette 19/2015, relating to instalments or annuities in CHF and with a currency clause in CHF which fall due until the expiry of the duration of the restriction referred to in Article 157 of the Act on Amendments to the Credit Institutions Act, Official Gazette 19/2015; and
- the amount of principal outstanding referred to in item (7) of this paragraph.

(2) Paragraph (1) of this Article shall apply *mutatis mutandis* to the calculation of the obligation of repayment of the received arising from the termination of a credit contract, whereby the conversion shall be carried out as at 30 September 2015, i.e. as at the day of the termination of a credit contract.

Provision of information

Article 357d

(1) For the purposes of verifying the conversion calculation, the credit institution shall draw up a calculator based on which the conversion has been calculated which shall include a detailed overview of the calculation of all the elements of the conversion calculation determined in Article 357c of this Act and shall make it available to each individual credit user on its website which shall be accessible to credit users via their personal identification numbers.

(2) For the purposes of verifying the conversion calculation, the credit institution shall provide the credit user with access to a historical overview of general lending conditions, decisions on interest rates, daily exchange rates applicable on loans denominated in CHF and denominated in kuna with a currency clause in CHF and on loans denominated in EUR and denominated in kuna with a currency clause in EUR which the credit institution has used for loans of the same type and duration denominated in CHF and denominated in kuna with a

currency clause in CHF and for loans denominated in EUR and denominated in kuna with a currency clause in EUR.

(3) Prior to the posting of the calculator referred to in paragraph (1) of this Article on the website, the credit institution shall obtain an opinion from a certified auditor or a judicial expert that the calculator has been drawn up in accordance with the manner of calculation provided for in Article 357c of this Act and shall post such opinion on its website within 45 days of the day of entry into force of this Act.

Loan conversion

Article 357e

(1) A credit institution shall, within 45 days of the entry into force of this Act, deliver to the credit user, by means of registered mail with return receipt, the calculation of the loan conversion, showing the balance as at 30 September 2015, calculated in accordance with Article 357c of this Act, together with the proposal of a new or amended credit contract.

(2) Together with the calculation of conversion, the credit institution shall also deliver an overview of the balance of all individual types of claims on the credit user, i.e. an extract of the open items of the credit user based on the credit contract on a loan denominated in CHF and the credit contract on a loan denominated in kuna with a currency clause in CHF which is the subject of conversion as at 30 September 2015, calculated in kuna at the exchange rate of the type of the credit institution used for the calculation of conversion.

(3) The credit institution shall deliver the calculation of conversion referred to in paragraph (1) of this Article together with an overview of the balance of all individual claims on the credit user, i.e. an extract of open items in accordance with paragraph (2) of this Article by means of registered mail with return receipt also to the persons from whom the credit institution demanded or has the right to demand fulfilment of an obligation under a loan in CHF and in kuna with a currency clause in CHF.

(4) The calculation of conversion referred to in paragraph (1) of this Article shall contain a clear overview of all changes and shall show clearly the manner in which the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR referred to in Article 357c, paragraph (1), item (7) of this Act has been calculated, the amount of overpayment referred to in Article 357c, paragraph (1), item (5) of this Act, if any has been determined, or any shortage in the amount paid referred to in Article 357c, paragraph (1), item (6) of this Act, if any has been determined.

(5) In the case of acceptance of the loan conversion, the credit user shall be obligated to inform the credit institution about the acceptance of the calculation of conversion by means of registered mail with return receipt or personally, within 30 days of the day of receipt of the calculation of conversion referred to in paragraph (1) of this Article, and of the overview of the balance of all claims of the credit institution, i.e. of the extract of open items referred to in paragraph (2) of this Article.

(6) If the credit user does not accept the calculation of the loan conversion or does not enter with the credit institution into the agreement referred to in Article 357c, paragraph (1), item (6)

of this Act, the loan repayment shall continue in accordance with the applicable contractual terms.

(7) If the credit user accepts the calculation of the loan conversion:

- the effect of the conversion referred to in Article 357c, paragraph (1), item (8) of this Act shall be borne by the credit institution and it shall be shown in the business books of the credit institution as a claim adjustment due to exchange rate differences, i.e. as an expense based on disbursement for the overpayment referred to in Article 357c, paragraph (1), item (5), the first and the second indent of this Act;
- the difference in the initial principal arising from foreign exchange purchase/sale referred to in Article 357c, paragraph (1), item (1) of this Act, the amount of default interest, fees and costs charged referred to in Article 357c, paragraph (1), item (4) of this Act, the amount of interest and exchange rate differences based on overpayment referred to in Article 357c, paragraph (1), item (5) of this Act shall be borne by the credit user.

(8) If under a credit contract on a loan denominated in CHF and denominated in kuna with a currency clause in CHF, a credit user has been offered certain benefits in the form of a decreased interest rate, special exchange rate or other specific benefits in accordance with a decision of the credit institution, the credit institution shall not be obligated to apply them to the calculation of conversion referred to in Article 357c of this Act and they shall be borne by the credit user. A special reduction in interest rates, a special exchange rate or more favourable terms granted to specific similar groups of credit users based on age, purpose of credit, the same type and duration in EUR and in kuna with a currency clause in EUR on the date of entering into a credit contract denominated in CHF and denominated in kuna with a currency clause in CHF shall not be considered benefits.

(9) If the credit user accepts the calculation of loan conversion, the credit institution shall not seek additional instruments of collateral other than those agreed nor set additional conditions to the credit user, derogating other rights of the credit user.

(10) The credit user shall not be charged any related loan conversion costs.

Transitional period

Article 357f

(1) The credit user shall continue to pay instalments or annuities determined under a loan amortisation schedule applicable before the conversion of a loan denominated in CHF and denominated in kuna with a currency clause in CHF until the day of entering into a new or amended credit contract.

(2) The difference between the amount paid during the transitional period and the amount to be paid under the instalment or annuity in EUR and in kuna with a currency clause in EUR determined under the new loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, shall be determined at maturity of the first subsequent instalment or annuity in EUR and in kuna with a currency clause in EUR under the new loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act and thus determined difference shall be considered the overpayment referred to in Article 357c, paragraph (1), item (5) of this Act or a shortage in the amount paid referred to in Article 357c, paragraph (1), item (6) of this Act.

Rights of a person fulfilling a loan obligation

Article 357g

- (1) A guarantor or another person referred to in Article 357e, paragraph (3) of this Act from whom the credit institution demanded or has the right to demand fulfilment of an obligation under a loan in CHF and in kuna with a currency clause in CHF may negotiate a claim with the credit institution in his/her name and on behalf of the credit user if an overpayment referred to in Article 357c, paragraph (1), item (5) of this Act has been determined and if the credit user does not accept the calculation of the loan conversion.
- (2) Under the agreement referred to in paragraph (1) of this Article, the credit user shall acquire own and direct right in relation to the credit institution as if he/she has accepted the calculation of conversion and the contracting party shall have the right to demand that the credit institution delivers to the credit user what has been agreed on behalf of that credit user.
- (3) If the credit user declares that he/she does not accept or refuses the benefit agreed on his behalf, the benefit shall belong to the contracting party.
- (4) The credit institution may bring to the attention of the credit user all complaints against the contracting party under an agreement negotiating benefits for the credit user.
- (5) Under the agreement referred to in paragraph (1) of this Article, the credit institution shall agree to reduce the claim on the credit user by appropriate application of the principles and rules referred to in Articles 357b to 357f of this Act.

Tax treatment of the conversion

Article 357h

- (1) The effect of conversion referred to in Article 357e, paragraph (7) of this Act which results in an expense in the business books of the credit institution, shall be recognised as the expense of the credit institution for tax purposes within the meaning of the special regulation on corporate income tax (profit tax), in accordance with the principle of avoidance of double taxation and the principle of avoidance of double reduction in the tax base.
- (2) The credit institution shall be obligated to deliver, together with corporate income tax (profit tax) return for the period in which an expense referred to in paragraph (1) of this Article is entered in the business books, a cumulative summary of the calculations of conversions referred to in Article 357e of this Act, on the basis of which the credit institution entered an expense in the business books, as well as evidence clearly showing that the expense received tax treatment in accordance with the provisions of paragraph (1) of this Article.
- (3) The effect of conversion referred to in Article 357e, paragraph (7) of this Act shall not be considered income of a credit user within the meaning of the special regulation on income tax.
- (4) If the credit user is a taxable person subject to corporate income tax (profit tax) and if the effect of conversion referred to in Article 357e, paragraph (7) of this Act, is entered in the

business books of that person as income, it shall be reported as taxable income up to the amount which in the preceding corporate tax (profit tax) returns and in that period had been reported as an expense recognised for tax purposes as an adjustment expense, in accordance with the principle of avoidance of double taxation and the principle of avoidance of double reduction in the tax base.

(5) The credit user referred to in paragraph (4) of this Article shall be obligated to deliver, together with the corporate income tax (profit tax) return for the period in which the effect of conversion referred to in article 357e, paragraph (7) of this Act is entered in the business books, the calculation of conversion referred to in Article 357e, paragraph (1) of this Act on the basis of which the credit user entered the difference in the business books, as well as evidence clearly showing that the difference received tax treatment in accordance with paragraph (4) of this Article.

(6) The provisions of paragraphs (1) to (4) of this Article shall apply *mutatis mutandis* to the expense arising from the reimbursement of the overpayment referred to in Article 357c, paragraph (1), item (5), the first and the second indent of this Act and the reimbursement referred to in Article 357c, paragraph (2) of this Act.

Report on loan conversion implementation

Article 357i

The credit institution shall deliver to the Ministry of Finance within six months of the day of entry into force of this Act a report on the results of the loan conversion implementation which shall contain as a minimum the following data:

- the number of credit users who have accepted or have not accepted the conversion of loans denominated in CHF into loans denominated in EUR;
- the number of credit users who have accepted or have not accepted the conversion of loans denominated in kuna with a currency clause in CHF into loans denominated in kuna with a currency clause in EUR;
- the number of credit users who have accepted or have not accepted the conversion of a claim arising from the termination of a credit contract denominated in CHF and loans denominated in kuna with a currency clause in CHF;
- the balance of loans denominated in CHF and loans denominated in kuna with a currency clause in CHF by loan type, or claims arising from the termination of a credit contract denominated in CHF or loans denominated in kuna with a currency clause in CHF on the day before the conversion and after the conversion, together with the amounts of the effects of conversion.

XXIX NOTIFICATION OF BREACHES OF REGULATIONS

Notification of breaches of regulations

Article 358

(1) The Croatian National Bank shall provide for a reliable mechanism of delivering notifications of breaches of this Act and subordinate legislation adopted under this Act, Regulation (EU) No 575/2013 and regulations adopted under that Regulation.

(2) The Croatian National Bank shall encourage delivering of the notifications of breaches referred to in paragraph (1) of this Article.

(3) For the purpose of delivering the notifications referred to in paragraph (1) of this Article, the Croatian National Bank:

1) may adopt procedures to further regulate the receipt of notifications of breaches and their follow-up, including clear rules on confidentiality of data concerning the person who delivers the notification and the natural person who is allegedly responsible for a breach;

2) shall ensure appropriate protection for employees of credit institutions who deliver the notification referred to in paragraph (1) of this Article for the purpose of their protection against possible discrimination or other types of unfair treatment.

(4) The Croatian National Bank shall treat personal data in the notification referred to in paragraph (1) of this Article in accordance with the regulations governing the protection of personal data.

(5) By way of derogation from paragraph (3), item (1) of this Article, the Croatian National Bank may use the data concerning the person who delivers the notification referred to in paragraph (1) of this Article if this is required for the purpose of investigation in criminal proceedings or initiation of other court proceedings.

Obligations of credit institutions regarding notification of breaches of regulations

Article 359

(1) Credit institutions shall prescribe internal procedures for their employees to report, internally through a specific, independent and autonomous channel, any possible breach of regulations committed by responsible persons or other employees. Internal procedures must also contain the manner in which credit institutions shall deal with such reports.

(2) Persons who receive the information referred to in paragraph (1) of this Article shall be bound by the duty to protect their confidentiality.

(3) Credit institutions shall not discriminate against employees who deliver the notification referred to in paragraph (1) of this Article or the notification referred to in Article 358 of this Act or put them in a less favourable position than the position of other employees, and such notification shall not constitute grounds for termination of an employment contract or another contract under which an employee works for the credit institution.

(4) The requirement to provide the channel referred to in paragraph (1) of this Article may also be met through arrangements provided for by social partners.

XXX PENALTY PROVISIONS

Misdemeanours by credit institutions

Article 360

- (1) A G-SII or O-SII shall be fined between HRK 375,000.00 and up to 10% of total income:
- 1) if it grants credits or issues guarantees or other commitments contrary to the provisions of Article 21 of this Act;
 - 2) if it acquires holdings in another legal person contrary to the provisions of Article 23 of this Act;
 - 3) if it fails to ensure that no rights arising from the shares ordered to be sold are exercised by the acquirer without prior approval or if it fails to notify the Croatian National Bank of any changes of shareholders in accordance with Article 30, paragraph (8) of this Act;
 - 4) if it breaches the provisions on the management board referred to in Article 36, paragraphs (1), (2), (3), (4), (5) or (6) of this Act;
 - 5) if it selects or appoints a supervisory board member without prior approval contrary to Article 46, paragraph (1) of this Act;
 - 6) if it carries out activities contrary to Article 59 of this Act;
 - 7) if it effects any of the changes in status referred to in Article 63 of this Act without authorisation by the Croatian National Bank or fails to notify the creditors contrary to Article 63, paragraph (11) of this Act;
 - 8) if it establishes a branch in another Member State without authorisation by the Croatian National Bank and without notifying the Croatian National Bank in advance in accordance with Article 75, paragraph (1) of this Act;
 - 9) if, as a parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution established a branch in another Member State in advance in accordance with Article 76, paragraph (1) of this Act;
 - 10) if it begins to provide services through a branch situated in another Member State contrary to Article 77 of this Act;
 - 11) if it begins to directly provide banking services or recognised financial services without notifying the Croatian National Bank in advance of its intention in accordance with Article 80, paragraph (1) of this Act;
 - 12) if, as an RC parent credit institution, it fails to notify the Croatian National Bank in advance that its subsidiary financial institution began to directly provide recognised financial services in accordance with Article 80, paragraph (2) of this Act;
 - 13) if it establishes a branch in a third country without prior authorisation by the Croatian National Bank in accordance with Article 81, paragraph (3) of this Act;

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

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

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

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

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

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

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

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

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

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

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

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

within the time limits provided for their submission, and thereby acts contrary to the subordinate legislation adopted under Article 101, paragraph (2), item (8) of this Act;

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

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

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

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

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

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

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

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

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

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

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

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

38) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the maximum distributable amount and thereby acts contrary to the provisions of Article 140,

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

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

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

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

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

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

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

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

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

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

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

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

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

51) if it discloses annual financial statements or annual consolidated financial statements that have been dismissed or refused or if it fails to ensure that annual financial statements or annual consolidated financial statements that have been dismissed or refused are not publicly disclosed,

or if annual financial statements or annual consolidated financial statements that had been dismissed or refused have already been delivered for public disclosure to the Financial Agency or the regulated securities market, fails to without delay notify the Financial Agency and regulated securities markets where the securities are listed of the fact that its audited annual financial statements or annual consolidated financial statements have been dismissed or refused by a decision of the Croatian National Bank, or if it fails to without delay disclose the same notification on its website, which is contrary to Article 173, paragraph (7) of this Act;

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

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

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

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

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

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

58) if it classified capital instruments referred to in Articles 26, 52 and 63 of Regulation (EU) No 575/2013 as common equity tier 1 capital, additional tier 1 capital or tier 2 capital without prior permission of the Croatian National Bank to classify capital instruments as common equity tier 1 capital, additional tier 1 capital or tier 2 capital, which is contrary to Article 26, paragraph (3) or Regulation (EU) No 575/2013, i.e. Article 114, paragraph (4) of this Act;

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

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

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

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

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

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

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

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

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

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

69) if it is exposed to the credit risk of a securitisation position without satisfying the conditions set out in Article 405 of Regulation (EU) No 575/2013 or if it fails to act in accordance with the requirements set out in Part Five of Regulation (EU) No 575/2013 or requirements in relation to exposures to transferred credit risk referred to in the technical standard adopted by the European Commission pursuant to Article 410 of Regulation (EU) No 575/2013;

70) if it repeatedly or persistently fails to maintain sufficient liquid assets, which is contrary to Article 412 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank in accordance with the reference dates laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to report to the Croatian National Bank within time limits for submission of reports laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013 or fails to submit additional liquidity reports in the manner laid down in the technical standard adopted by the European Commission pursuant to Article 415 of Regulation (EU) No 575/2013;

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

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

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

74) if it fails to develop methodologies and processes to calculate and report the market value and haircuts for shares or units in investment funds in accordance with Article 418, paragraph (4) of Regulation (EU) No 575/2013;

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

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

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

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

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

80) if it acts contrary to subordinate legislation that the Croatian National Bank adopted for the purpose of implementing implementing and regulatory technical standards, for the purpose of compliance with the guidelines and recommendations issued by the European Banking Authority in accordance with Article 16 of Regulation (EU) No 1093/2010 or compliance with the warnings and recommendations issued by the European Systemic Risk Board pursuant to Article 16 of Regulation (EU) No 1092/2010;

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

82) if it concludes a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions, which is contrary to Article 146a, paragraph (1) of this Act or if it concludes a legal arrangements as a

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other misdemeanours by credit institutions

Article 361

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

- 1) if its preferential shares exceed the limit referred to in Article 22 of this Act;
- 2) if it fails to notify the Croatian National Bank of the termination of the term of office of members of the management or supervisory board or if it fails to state the reasons for the termination contrary to Article 35, paragraph (4) of this Act;
- 3) if it breaches the provisions on the employment status of management board members referred to in Article 37 of this Act;
- 4) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for management board members contrary to Article 38, paragraph (2) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 38, paragraph (3) of this Act;
- 5) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members contrary to Article 45, paragraph (4) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 45, paragraph (5) of this Act;
- 6) if it fails to ensure that members of the risk committee or the risk and audit committee have adequate access to information in accordance with the provisions of Article 52, paragraph (5) of this Act;
- 7) if it fails to identify key functions in accordance with Article 54, paragraph (1) of this Act or to adopt and implement appropriate policies for selecting and assessing the suitability of key function holders in accordance with Article 54, paragraph (2) of this Act or if it fails to take appropriate measures to ensure the suitability of a key function holder in accordance with Article 54, paragraph (3) of this Act, or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 54, paragraph (4) of this Act;

- 8) if it fails to notify the Croatian National Bank and the competent authority of the host Member State at least one month before effecting the change in the operation of its branch situated in a Member State in accordance with Article 78 of this Act;
- 9) if it establishes a representative office in a third country without notifying the Croatian National Bank in accordance with Article 82 of this Act;
- 10) if in the course of outsourcing it acts contrary to Articles 109 to 111 of this Act;
- 11) if it fails to take appropriate measures to develop and use internal approaches for calculating own funds requirements in accordance with the provision of Article 115, paragraph (1) of this Act;
- 12) if it fails to ensure that an agreement in writing is given in a separate document in accordance with Article 157, paragraph (5) of this Act;
- 13) if it fails to store bookkeeping documents in accordance with the provisions of Article 160, paragraphs (1), (2) or (4) of this Act or if it fails to follow the chart of accounts in accordance with the provisions of Article 161, paragraph (2) of this Act or if it prepares financial statements or other reports contrary to the subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act or if it fails to deliver to the Croatian National Bank financial or other statements in accordance with subordinate legislation adopted pursuant to Article 162, paragraphs (1), (2) and (3) of this Act, which is contrary to Article 162, paragraph (4) of this Act;
- 14) if in its public disclosures it fails to act in accordance with the frequency of and time limits for public disclosure prescribed by subordinate legislation adopted under Article 165 of this Act or if it fails to disclose information in accordance with Article 166 of this Act;
- 15) if it fails to deliver to the Croatian National Bank a decision to appoint an audit firm in accordance with Article 169, paragraph (1) of this Act;
- 16) if it fails to notify and explain to the Croatian National Bank the termination of a contract with an audit firm in accordance with Article 171, paragraph (1) of this Act;
- 17) if it acts contrary to subordinate legislation adopted under Article 175, paragraph (2) of this Act;
- 18) if it fails to meet the obligations relating to supervision of intra-group transactions, and thereby acts contrary to Article 292, paragraph (2) of this Act;
- 19) if it fails to provide general service information in the manner referred to in Article 301, paragraph (1) of this Act or if it fails to provide such information in accordance with subordinate legislation adopted under Article 301, paragraph (2) of this Act;
- 20) if it fails to conclude a contract with a consumer on the provision of a particular banking service referred to in Article 7 of this Act in writing, or if the contract concluded is not in the Croatian language, or if at least one copy is not delivered to the consumer, or if in the case of a credit contract at least one copy of the contract is not provided to other participants in the credit relationship, which is contrary to Article 302, paragraph (1) of this Act, or if before concluding

a contract on the provision of banking or financial services it fails to provide the consumer with personalised information, or if the information fails to include at least the information prescribed by the law governing consumer lending, consumer housing loans and other regulations governing particular banking and financial services, which is contrary to Article 302, paragraph (2) of this Act, or if before concluding a contract it fails to present or disclose to the consumer all the important terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties and for credit contracts if it fails to present or disclose to other participants in the credit relationship all the relevant information on the terms and conditions of the contract which clearly indicate all rights and obligations of the contracting parties, or if it fails to warn other participants in the credit relationship of the legal implications of being a co-debtor or guarantor, as well as of the right of the credit institution to undertake collection of its claims from all participants in the credit relationship, which is contrary to Article 302, paragraph (3) of this Act, or if at the request of the consumer it fails to provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, or if at the request of another participant in the credit relationship it fails to make available or provide a draft of the contract referred to in Article 302, paragraph (2) of this Act, which is contrary to Article 302, paragraph (4) of this Act, or if in addition to a draft of the contract it fails to provide the consumer with a copy or electronic version of the relevant articles from the applicable General operating conditions, Interest rate policy, Tariff of service fees and charges, as well as with other bylaws of the credit institution that may impact the financial position of the consumer and a short explanation of that impact, or if it fails to provide this free of charge, which is contrary to Article 302, paragraph (5) of this Act, or if in deposit and lending segment of its consumer operations, as regards services indexed to foreign currency, it fails to apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the kuna applicable on the day of the transaction, which is contrary to Article 302, paragraph (5) of this Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 361a

(1) A credit institution shall be fined between HRK 80,000.00 and HRK 200,000.00:

- if it fails to carry out the conversion of a loan denominated in CHF into a loan denominated in EUR and of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR and the position of a credit user with a loan denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR in accordance with Article 357b of this Act;
- if it fails to recalculate the amount of the initially granted principal of a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF to the amount of the principal of a loan denominated in EUR or a loan denominated in kuna with a currency clause in EUR using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the

type the credit institution used on that date for loans of the same type and duration, denominated in EUR and in kuna with a currency clause in EUR; the amount of the initially granted principal shall be the amount entered in the business books of the credit institution, where this amount may be greater than the amount disbursed as a result of the exchange rate differences arising from the foreign exchange purchase/sale taking place at the time of loan disbursement in accordance with Article 357c, paragraph (1), item (1) of this Act;

- if instead of the initially agreed interest rate on a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF, the credit institution fails to apply the interest rate equal to the interest rate (in terms of amount, type and period of change) which the credit institution applied to loans of the same type and duration denominated in EUR and denominated in kuna with a currency clause in EUR on the date of entering into the credit contract in accordance with Article 357c, paragraph (1), item (2) of this Act;
- if it fails to replace the initially determined loan amortisation schedule for a loan denominated in CHF and a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments or annuities in CHF and in kuna with a currency clause in CHF have been calculated, with a new loan amortisation schedule calculated in accordance with Article 357c, paragraph (1), items (1) and (2) of this Act and on the basis of which new instalments or annuities are calculated in EUR and in kuna with a currency clause in EUR, taking into account all changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount type and period of change in interest rates and other changes which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities in accordance with Article 357c, paragraph (1), item (3) of this Act;
- if it fails to convert into EUR and with a currency clause in EUR the amounts paid to settle the initially determined instalments or annuities in CHF or in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purposes of conversion) using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the credit institution used on that date for loans of the same type and duration, denominated in EUR and denominated in kuna with a currency clause in EUR; the amounts converted to EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined in accordance with the new loan amortisation schedule in EUR and with a currency clause in EUR referred to in Article 357c, paragraph (1), item (3) of this Act, respecting the order of settlement of due obligations in accordance with the general conditions of the credit institution and not charging default interest in accordance with Article 357c, paragraph (1), item (5) of this Act;
- if it fails to determine as overpayment in accordance with Article 357c, paragraph (1), item (5) of this Act the total amount paid, determined in EUR and with a currency clause in EUR, in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;

- if it fails to use the amount of overpayment, which does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR and with a currency clause in EUR may be closed out by overpayment, until the overpayment is used in full in accordance with Article 357c, paragraph (1), item (5), the first indent of this Act;
- if it fails to reimburse to the credit user the amount of overpayment, which exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, within 60 days of the date of acceptance of conversion in accordance with Article 357c, paragraph (1), item (5), the second indent of this Act;
- if it fails to settle in accordance with the agreement with the credit user in accordance with Article 357c, paragraph (1), item (6) of this Act the total paid amount determined in EUR and with a currency clause in EUR in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is smaller than the sum total of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;
- if it fails to determine the remaining outstanding principal amount in EUR and in kuna with a currency clause in EUR as at 30 September 2015, as the difference between the new loan amortisation schedule determined in accordance with Article 357c, paragraph (1), item (3) of this Act and the amounts paid determined in accordance with Article 357c, paragraph (1), item (4) of this Act, and in accordance with Article 357c, paragraph (1), item (7) of this Act;
- if it fails to determine the effect of conversion in the manner provided for in Article 357c, paragraph (1), item (8) of this Act;
- if it fails to draw up the calculator within the time limit prescribed and to make it available to each individual credit user at its website in accordance with Article 357d, paragraph (1) of this Act;
- if prior to posting of the calculator on its website, it fails to obtain an opinion of a certified auditor or a judicial expert that the calculator is drawn up in accordance with the manner of calculation prescribed in Article 357c of this Act or fails to post the opinion on its website within the prescribed time limit in accordance with Article 357e, paragraph (3) of this Act;
- if it fails to deliver to the credit user and/or the persons from whom the credit institution demanded or has the right to demand fulfilment of an obligation within the prescribed time limit and in the manner prescribed the calculation of conversion, together with the proposal of a new or amended credit contract in accordance with Article 357e, paragraphs (1), (2) and (3) of this Act;

- if it fails to deliver to the Ministry of Finance within the time limit prescribed a report on the results of the credit conversion implementation in accordance with Article 357i of this Act.

(2) A responsible person of the legal person shall be fined between HRK 10,000.00 and HRK 50,000.00 for the misdemeanour referred to in paragraph (1) of this Article.

(3) A creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between HRK 80,000.00 and HRK 200,000.00:

- if it fails to carry out the conversion of a loan denominated in CHF into a loan denominated in EUR or of a loan denominated in kuna with a currency clause in CHF into a loan denominated in kuna with a currency clause in EUR in such a way that the position of a credit user with a loan denominated in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in EUR, and the position of a credit user with a credit denominated in kuna with a currency clause in CHF is made equal to the position the credit user would have been in had the credit user used a loan denominated in kuna with a currency clause in EUR in accordance with Article 357b of this Act;
- if it fails to recalculate the amount of the initially granted principal of a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF to the amount of the principal of a loan denominated in EUR or a loan denominated in kuna with a currency clause in EUR using the exchange rate applicable on the date of loan disbursement, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR and in kuna with a currency clause in EUR; the amount of the initially granted principal shall be the amount entered in creditor's business books, where this amount may be greater than the amount disbursed as a result of to the exchange rate difference arising from the foreign exchange purchase/sale at the time of loan disbursement in accordance with Article 357c, paragraph (1), item (1) of this Act;
- if instead of the initially agreed interest rate on a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, the creditor fails to apply the interest rate equal to the interest rate (in terms of amount, type and period of change) which the creditor applied to loans of the same type and duration denominated in EUR or denominated in kuna with a currency clause in EUR on the date of entering into the credit contract in accordance with Article 357c, paragraph (1), item (2) of this Act;
- if it fails to replace the initially determined loan amortisation schedule for a loan denominated in CHF or a loan denominated in kuna with a currency clause in CHF, including any amendments thereto, on the basis of which instalments or annuities in CHF or in kuna with a currency clause in CHF have been calculated, with the new loan amortisation schedule calculated in accordance with Article 357c, paragraph (1), items (1) and (2) of this Act and on the basis of which new instalments or annuities are calculated in EUR or in kuna with a currency clause in EUR, taking into account all changes to contractual terms related to the amount, purpose and maturity of the principal, and the amount, type and period of change in interest rates and other changes

which have over the duration of the credit contract led to changes in the initially determined loan amortisation schedule and instalments or annuities in accordance with Article 357c, paragraph (1), item (3) of this Act;

- if it fails to convert to EUR and with a currency clause in EUR the amounts paid to settle the initially determined instalments or annuities in CHF or in kuna with a currency clause in CHF (except for default interest payments, fees and costs which shall not be taken into account for the purposes of conversion) using the exchange rate applicable on the date of payment, where the exchange rate shall be equal to the exchange rate of the type the creditor used on that date for loans of the same type and duration, denominated in EUR or denominated in kuna with a currency clause in EUR; the amounts converted to EUR and with a currency clause in EUR shall constitute the basis for the settlement of instalments or annuities in EUR and with a currency clause in EUR determined in accordance with the new loan amortisation schedule in EUR and with a currency clause in EUR referred to in Article 357c, paragraph (1), item (3) of this Act, respecting the order of settlement of due obligations in accordance with the general conditions of the creditor and not charging default interest in accordance with Article 357c, paragraph (1), item (4) of this Act;
- if it fails to determine as overpayment in accordance with Article 357c, paragraph (1), item (5) of this Act the total amount paid, determined in EUR and with a currency clause in EUR, in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is greater than the total amount of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;
- if it fails to use the amount of overpayment, which does not exceed the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, for the settlement of future instalments or annuities in EUR and with a currency clause in EUR which shall fall due in such a manner that, when paying the subsequent due instalment or annuity, the amount up to maximum 50% of the due instalment or annuity in EUR and with a currency clause in EUR may be closed out by overpayment, until overpayment is used in full in accordance with Article 357c, paragraph (1), item (5), the first indent of this Act;
- if it fails to reimburse to the credit user the amount of overpayment, which exceeds the sum total of instalments or annuities in EUR and with a currency clause in EUR outstanding as at 30 September 2015 in accordance with the loan amortisation schedule referred to in Article 357c, paragraph (1), item (3) of this Act, within 60 days of the date of acceptance of conversion in accordance with Article 357c, paragraph (1), item (5), the second indent of this Act;
- if it fails to settle in accordance with the contract with the credit user in accordance with Article 357c, paragraph (1), item (6) of this Act the total paid amount determined in EUR and with a currency clause in EUR in the manner referred to in Article 357c, paragraph (1), item (4) of this Act, which is smaller than the sum total of instalments or annuities in EUR and with a currency clause in EUR determined in the manner referred to in Article 357c, paragraph (1), item (3) of this Act;

- if it fails to determine the remaining outstanding principal amount in EUR or in kuna with a currency clause in EUR as at 30 September 2015 as the difference between the new loan amortisation schedule determined in accordance with Article 357c, paragraph (1), item (3) of this Act and the paid amounts determined in accordance with Article 357c, paragraph (1), item (4) of this Act, and in accordance with Article 357c, paragraph (1), item (7) of this Act;
- if it fails to determine the effect of conversion in the manner provided for in Article 357c, paragraph (1), item (8) of this Act;
- if it fails to draw up the calculator within the time limit prescribed and to make it available to each individual credit user at its website in accordance with Article 357d, paragraph (1) of this Act;
- if prior to posting of the calculator on its website, it fails to obtain an opinion of a certified auditor or a judicial expert that the calculator is drawn up in accordance with the manner of calculation prescribed in Article 357c of this Act or fails to post the opinion on its website within the prescribed time limit in accordance with Article 357e, paragraph (3) of this Act;
- if it fails to deliver to the credit user and/or the persons from whom the creditor demanded or has the right to demand fulfilment of an obligation within the prescribed time limit and in the manner prescribed the calculation of conversion, together with the proposal of a new or amended credit contract in accordance with Article 357e, paragraphs (1), (2) and (3) of this Act;
- if it fails to deliver, together with the corporate income tax (profit tax) return for the period in which the expense referred to in Article 357h, paragraph (1) of this Act is entered in the business books, a cumulative summary of the calculations of the conversions referred to in Article 357e of this Act, on the basis of which the creditor entered the expense in the business books, as well as evidence clearly showing that the expense received the tax treatment in accordance with the provisions of Article 357h, paragraph (1) of this Act;
- if it fails to deliver to the Ministry of Finance within the time limit prescribed a report on the results of the credit conversion implementation in accordance with Article 357i of this Act.

(4) A responsible person of the creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between HRK 10,000.00 and HRK 50,000.00 for the misdemeanour referred to in paragraph (3) of this Article.

Misdemeanours by savings banks

Article 362

(1) A savings bank shall be fined between HRK 75,000.00 and up to 10% of total income:

1) if the words 'savings bank' are not contained in its firm name (Article 313, paragraph (2));

2) if it carries out activities contrary to the provisions of Article 315, paragraphs (1) and (2) of this Act;

3) if it establishes a branch or representative office abroad (Article 315, paragraph (3)); or

4) if it has preferential shares in its initial capital contrary to Article 316 of this Act.

(2) A responsible person of the savings bank's management board shall be fined between HRK 7,500.00 and HRK 20,000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

Other misdemeanours by the management and supervisory board

Article 363

(1) Members of a credit institution's management board shall be fined between HRK 3,500.00 and HRK 20,000.00:

1) if they fail to establish and implement effective and sound governance arrangements in accordance with Article 41, paragraphs (1), (3), (4) and (5) of this Act;

2) if they fail to notify the supervisory board without delay of the circumstances referred to in Article 42 of this Act;

3) if they fail to deliver reports and information to the Croatian National Bank in the manner and within the time limit referred to in Article 179, paragraph (4) of this Act; or

4) if they reached a decision to conclude a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions or reached a decision to conclude a legal arrangement as a result of which the total exposure to a person in a special relationship would exceed HRK 50,000.00 without the unanimous decision of all management board members and prior approval of the supervisory board, which is contrary to Article 146a of this Act.

(2) Members of a credit institution's supervisory board shall be fined between HRK 3,500.00 and HRK 20,000.00:

1) if they fail to submit an application to the Croatian National Bank for prior approval for the chairperson or member of the management board within the time limit referred to in Article 39, paragraph (13) of this Act;

2) if they fail to adopt the decision referred to in Article 44, paragraph (7) of this Act without delay;

3) if they fail to perform their duties in accordance with Article 49, paragraph (1), items (1), (2), (3), (5), (6) and (7) of this Act;

4) if they fail to notify the Croatian National Bank without delay of the circumstances referred to in Article 49, paragraph (1), item (4) of this Act;

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

6) if they gave prior approval for the conclusion of a legal arrangement with a person in a special relationship under terms and conditions more favourable than the credit institution's common terms and conditions and which raised the total exposure to a person in a special relationship above HRK 50,000.00, which is contrary to the provisions of Article 146a of this Act.

Misdemeanours by other persons

Article 364

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

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

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

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

(5) A natural person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00.

(6) A legal person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provisions of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraphs (1) and (2) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(7) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (6) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(8) A natural person who is a shareholder of a credit institution and who acquires shares of a credit institution in a manner contrary to the provisions of Article 24, paragraph (1), (2) or (3) of this Act or fails to comply with the order of the Croatian National Bank referred to in Article 30, paragraphs (1) and (2) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00.

(9) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraphs (15) and (17) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(10) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (9) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(11) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraphs (15) and (17) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00 kuna.

(12) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provisions of Article 24, paragraph (7) of this Act shall be fined between HRK 375,000.00 and up to 10% of total income.

(13) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (12) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(14) A natural person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (7) of this Act shall be fined between HRK 37,500.00 and HRK 100,000.00 kuna.

(15) Legal persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined between HRK 37,500.00 and up to 3% of total income.

(16) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (15) of this Article shall be fined between HRK 7,500.00 and HRK 50,000.00.

(17) Natural persons who are holders of a qualifying holding and who fail to notify the Croatian National Bank, or who fail to notify the Croatian National Bank within the time limit referred to in Article 24, paragraph (11) of this Act, of any process of merger by acquisition, merger by formation of a new undertaking or division of an undertaking in which they participate or of any other change in the status shall be fined between HRK 7,500.00 and HRK 50,000.00.

(18) The legal persons referred to in Article 179, paragraph (2) of this Act who fail to deliver reports and information to the Croatian National Bank or who fail to enable an examination of a part of their operation shall be fined between HRK 75,000.00 and up to 10% of total income.

(19) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (18) of this Article shall be fined between HRK 7,500.00 and HRK 50,000.00.

(20) The natural persons referred to in Article 179, paragraph (2) of this Act who fail to deliver reports and information to the Croatian National Bank or who fail to enable an examination of a part of their operation shall be fined between HRK 7,500.00 and HRK 50,000.00.

Misdemeanours by members of a group of credit institutions

Article 365

(1) A fine between HRK 750,000.00 and up to 10% of total income shall be imposed on:

- 1) a parent financial holding company or parent mixed financial holding company which fails to act in accordance with Article 24, paragraph (12) of this Act;
- 2) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which has to comply with prudential requirements on a consolidated basis for a group or sub-group of credit institutions if it fails to meet the requirements referred to in Article 97 of this Act, or the parent financial holding company or parent mixed financial holding company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 97, paragraphs (4) to (7) of this Act;
- 3) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to meet its obligations referred to in Article 281, paragraph (1) of this Act to the parent credit institution of the group or the credit institution referred to in Article 97, paragraph (2) of this Act;
- 4) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which fails to meet its obligation referred to in Article 281, paragraph (2) of this Act;
- 5) a subsidiary member of a group of credit institutions in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act if it fails to enable the Croatian National Bank to exercise supervision of its operations in accordance with Article 281, paragraph (3) of this Act;
- 6) the parent undertaking of a credit institution which has its head office in the Republic of Croatia and is not included in consolidation of the parent undertaking, which fails to meet its obligations referred to in Article 281, paragraph (4) of this Act;
- 7) persons the parent undertaking of which is a RC parent credit institution, an EU parent credit institution having its head office in the RC or the parent financial holding company or parent mixed financial holding company referred to in Article 278, paragraphs (1) and (3) to (5) of this Act, which are not included in supervision on a consolidated basis and which fail to meet their obligations referred to in Article 281, paragraph (5) of this Act;
- 8) legal persons who fail to act in accordance with subordinate legislations adopted under Article 290 of this Act;
- 9) a mixed-activity holding company and its subsidiaries which fail to meet their obligations referred to in Article 291, paragraph (1) of this Act;
- 10) a RC parent credit institution or an EU parent credit institution having its head office in the RC if it fails to publicly disclose information on the governance and organisation in accordance with Article 167, paragraph (1) or (2) of this Act; or
- 11) an RC parent credit institution, an EU parent credit institution having its head office in the RC or the subsidiary credit institution referred to in Article 97, paragraph (2) of this Act which has to comply with prudential requirements on a consolidated basis for a group or sub-group of credit institutions or the parent financial holding company or parent mixed financial holding

company referred to in Article 278 of this Act if it fails to meet the requirements referred to in Article 11 of Regulation (EU) No 575/2013 on a consolidated basis.

(2) A responsible person of the management board of the legal person that committed any of the misdemeanours referred to in paragraph (1) of this Article shall be fined between HRK 18,000.00 and HRK 100,000.00.

Misdemeanours by audit firms and certified auditors

Article 366

(1) An audit firm shall be fined between HRK 75,000.00 and HRK 500,000.00:

1) if it fails to deliver an audit plan to the Croatian National Bank within the time limit and in the manner prescribed in Article 169, paragraph (3) of this Act;

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

3) if it fails to meet its obligations referred to in Article 172 of this Act or Article 12, paragraph (1) of Regulation 537/2014; or

4) if it fails to carry out an audit for the purposes of the Croatian National Bank in accordance with Article 174 of this Act and the regulations adopted under paragraph (6) of the same Article.

(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between HRK 37,500.00 and HRK 100,000.00.

(3) A certified auditor shall be fined between HRK 7,500.00 and HRK 50,000.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

Misdemeanours related to the obligation of banking secrecy

Article 367

(1) A credit institution that breaches the provisions of Article 156, paragraph (1) or Article 157, paragraph (1), (2), (5) or (6) of this Act on the obligation of banking secrecy shall be fined between HRK 375,000.00 and HRK 1,000,000.00.

(2) A responsible person of the credit institution's management board shall be fined between HRK 18,000.00 and HRK 100,000.00 for the misdemeanour referred to in paragraph (1) of this Article.

(3) A legal person shall be fined between HRK 375,000.00 and HRK 1,000,000.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (6) of this Act. A responsible person of that legal person shall be fined between HRK 18,000.00 and HRK 100,000.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (6) of this Act.

(4) A natural person shall be fined between HRK 18,000.00 and HRK 100,000.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (6) of this Act.

(5) The legal person referred to in Article 158, paragraph (1) of this Act who breaches the provisions of this Act on the obligation of banking secrecy shall be fined between HRK 375,000.00 and HRK 1,000,000.00.

(6) A responsible person of the legal person referred to in Article 158, paragraph (1) of this Act shall be fined between HRK 18,000.00 and HRK 100,000.00 for the misdemeanour referred to in paragraph (5) of this Article.

(7) The natural person referred to in Article 158, paragraph (2) of this Act who breaches the provisions of Article 156, paragraph (1) of this Act on the obligation of banking secrecy shall be fined between HRK 18,000.00 and HRK 100,000.00.

XXXI TRANSITIONAL AND FINAL PROVISIONS *(Official Gazette 159/2013)*

XXXI.1 PROVISIONS ON THE POWERS OF THE CROATIAN NATIONAL BANK WITH REGARD TO CREDIT INSTITUTIONS PROVIDING SERVICES IN THE REPUBLIC OF CROATIA THROUGH BRANCHES OR DIRECTLY UNTIL THE DATE ON WHICH THE LIQUIDITY COVERAGE REQUIREMENT BECOMES APPLICABLE IN ACCORDANCE WITH A DELEGATED ACT

Application of other provisions of this Act and other regulations to credit institutions of other Member States

Article 368

(1) The following shall apply *mutatis mutandis* to credit institutions of other Member States providing mutually recognised services directly within the territory of the Republic of Croatia:

- 1) provisions of this Act relating to the obligation of banking secrecy (Articles 156 and 157);
- 2) provisions of this Act and regulations adopted under this Act relating to consumer protection (Articles 300 to 312);
- 3) regulations in the Republic of Croatia governing the prevention of money laundering and terrorist financing;
- 4) other regulations which, in the interests of the general good, apply within the territory of the Republic of Croatia; and
- 5) regulations in the Republic of Croatia governing the implementation of monetary policy.

(2) In addition to the provisions of the preceding paragraph, the following shall apply *mutatis mutandis* to credit institutions of other Member States providing mutually recognised services within the territory of the Republic of Croatia through branches:

- 1) provisions of regulations adopted under this Act relating to reports and information required for performing activities within the competence of the Croatian National Bank in the field of monitoring liquidity risk (Article 101, paragraph (2), item (1));
 - 2) regulations adopted by the Croatian National Bank for the purposes of monetary statistics;
 - 3) regulations relating to the scope of data to be published by branches of credit institutions of the Member States;
 - 4) provisions of Article 163, paragraphs (5) and (6) of this Act on audited annual financial statements; and
 - 5) provisions of Article 200 of this Act and regulations adopted under that Article on annual supervision fees.
- (3) The Croatian National Bank shall be empowered to use the information collected pursuant to paragraphs (1) and (2) of this Article for statistical purposes.
- (4) The Croatian National Bank may adopt subordinate legislation to further regulate the manner of application of the provisions of paragraphs (1) and (2) of this Article.

Breaches of regulations of Member States

Article 369

- (1) Where a credit institution having its head office in the Republic of Croatia and providing services in another Member State through a branch breaches regulations of that Member State despite a warning of the competent or supervisory authority of the host Member State, the Croatian National Bank shall impose supervisory measures in accordance with this Act and shall notify that authority without delay.
- (2) Where a credit institution having its head office in the Republic of Croatia operates directly or through a branch within the territory of another Member State, the Croatian National Bank or persons it has authorised may carry out an on-site examination after notifying in advance the competent supervisory authority of the host Member State.
- (3) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

Breaches of individual provisions of this Act by credit institutions of other Member States

Article 370

- (1) Where the Croatian National Bank establishes that a credit institution of another Member State which provides services in the Republic of Croatia is not complying with the provisions of Article 368 of this Act, it shall impose supervisory measures on that credit institution and establish the time limits to remedy the non-compliance.

(2) If the credit institution fails to remedy the non-compliance within the time limit referred to in paragraph (1) of this Article and fails to deliver evidence of its remedy, the Croatian National Bank shall notify the competent authority of the home Member State accordingly.

(3) Where the competent authority of the home Member State fails to take any measures or if such measures are inadequate or unenforceable so that the credit institution persists in breaching the provisions of Article 368 of this Act, the Croatian National Bank shall notify the competent authority of the home Member State of measures it shall take to prevent further breaches of these provisions.

(4) Following the delivery of the notification referred to in the preceding paragraph to the competent authority of the home Member State, the Croatian National Bank may impose measures on a credit institution which breaches the provisions of Article 368 of this Act within the territory of the Republic of Croatia, including the prohibition on providing services within the territory of the Republic of Croatia.

Notification of precautionary measures

Article 371

By way of derogation from the provisions of Article 370 of this Act, when the Croatian National Bank, in emergency situations, assesses that the interests of depositors, investors and other clients of the credit institution of another Member State which provides services within the territory of the Republic of Croatia are threatened or might be threatened, it shall take precautionary measures against that credit institution. The Croatian National Bank shall without delay notify the competent authorities of the home Member State in question, the European Banking Authority and the European Commission of precautionary measures taken.

Supervision of the liquidity of branches of credit institutions of other Member States

Article 372

(1) The Croatian National Bank shall exercise supervision of the liquidity of branches of credit institutions of other Member States and impose measures necessary for the implementation of monetary policy of the Republic of Croatia.

(2) The provisions of paragraph (1) of this Article shall not preclude the exercise of supervision on a consolidated basis in accordance with this Act.

(3) When imposing measures referred to in paragraph (1) of this Article, the Croatian National Bank shall not apply discriminatory or restrictive treatment against branches of credit institutions of other Member States based on the fact that a credit institution is authorised in another Member State.

Impact of decisions and actions on the stability of the financial system of the Member States

Article 373

The Croatian National Bank shall, in the exercise of supervision, duly consider the potential impact of its decisions and actions on the stability of the financial system in all other Member States concerned and, in particular, in emergency situations, based on the information available at the relevant time.

Cooperation and exchange of information between the Croatian National Bank and the competent authorities of the Member States

Article 374

(1) The Croatian National Bank and the competent authorities of other Member States shall cooperate in the supervision of credit institutions which, directly or through a branch, provide services within the territory of the Republic of Croatia and the territory of the Member State in question.

(2) The Croatian National Bank and the competent authorities of the Member States, in addition to other reporting obligations under this Act, shall exchange all information concerning:

1) the management and ownership of credit institutions referred to in paragraph (1) of this Article that is likely to facilitate their supervision;

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

3) information likely to facilitate the supervision of such institutions, in particular with regard to liquidity, solvency, deposit insurance, the limiting of large exposures, other factors that may influence the systemic risk posed by the credit institution, administrative and accounting procedures and internal control systems.

Deciding on the designation of a branch as being significant in cases where the Croatian National Bank is not the consolidating supervisor

Article 375

(1) The Croatian National Bank may make a request to the consolidating supervisor or to the competent authorities of the home Member State concerned, for a branch of a credit institution from that Member State which provides services within the territory of the Republic of Croatia to be considered as significant.

(2) In the request referred to in paragraph (1) of this Article, the Croatian National Bank shall provide reasons for considering the branch to be significant with particular regard to the following:

1) whether the market share of the branch of the credit institution in terms of deposits as defined in the law governing deposit insurance exceeds 2% in the Republic of Croatia;

2) the likely impact of a suspension or closure of the operations of the credit institution on systemic market liquidity and the payment, clearing and settlement systems in the Republic of Croatia; and

3) the size and the importance of the branch in terms of number of clients within the context of the banking or financial system of the Republic of Croatia.

(3) In reaching a joint decision on the designation of a branch as being significant, the Croatian National Bank shall cooperate with the consolidating supervisor or the competent authorities of the home Member State.

(4) If no joint decision is reached between the Croatian National Bank and the consolidating supervisor or the competent authorities of the home Member State within two months of receipt of a request referred to in paragraph (1) of this Article, the Croatian National Bank shall take its own decision within a further period of two months on whether the branch is significant. In taking its own decision, the Croatian National Bank shall take into account any views of the consolidating supervisor or the competent authorities of the home Member State.

(5) The decisions referred to in paragraphs (3) and (4) of this Article shall be recognised as determinative, they must be written and fully reasoned, and delivered to the competent authorities concerned.

(6) The adoption of the decisions referred to in paragraph (3) or (4) of this Article shall not affect the responsibilities of the competent authorities under this Act.

*Deciding on the designation of a branch as being significant in cases where the
Croatian National Bank is the consolidating supervisor*

Article 376

(1) If the Croatian National Bank receives a request from the competent authorities of another Member State for a branch of a credit institution established in the Republic of Croatia and providing services within the territory of that Member State to be considered as significant, the Croatian National Bank shall cooperate with the competent authorities of the Member State concerned in reaching a joint decision on the designation of a branch as being significant.

(2) Where a college of supervisors referred to in Article 283 of this Act has not been established and a credit institution having its head office in the Republic of Croatia has significant branches in other Member States, the Croatian National Bank shall establish and chair a college of supervisors to facilitate the cooperation and exchange of information.

(3) The establishment and functioning of the college referred to in paragraph (2) of this Article shall be based on written arrangements determined, after consulting the competent authorities concerned, by the Croatian National Bank. The Croatian National Bank shall decide which competent authorities participate in a meeting or in an activity of the college, taking account of the potential impact of the supervisory activities to be planned on the stability of the financial system in the Member States concerned.

(4) The Croatian National Bank shall keep all the members of the college of supervisors fully informed, in a timely manner, of the meetings planned, the main issues to be discussed and of the actions taken in those meetings or the measures carried out.

(5) The decision referred to in paragraph (1) of this Article must be written and fully reasoned, and delivered to the competent authorities concerned.

(6) If no joint decision on the designation of a branch as being significant is reached within two months of receipt of a request referred to in paragraph (1) of this Article, and the competent authorities of the host Member State take their own decision on the designation of the branch as being significant within a further period of two months, that decision shall be recognised as determinative by the Croatian National Bank.

(7) The Croatian National Bank shall communicate to the competent authorities of the Member State where a significant branch of a credit institution which has its head office in the Republic of Croatia is established the information referred to in Article 288, paragraph (5), items (3) and (4) of this Act and plan and coordinate the activities referred to in Article 282, paragraph (1), item (3) of this Act in cooperation with the competent authorities of the host Member State.

(8) Where an emergency situation arises within the credit institution referred to in paragraph (1) of this Article, the Croatian National Bank shall without delay notify the persons referred to in Article 210, paragraph (1), item (1) and Article 211, paragraph (1) of this Act.

Powers to supervise the operation of branches

Article 377

(1) Where a credit institution having its head office in another Member State operates through a branch within the territory of the Republic of Croatia, the competent authority of the home Member State may:

1) carry out an on-site examination of the information referred to in Article 374, paragraph (2) of this Act on its own initiative or through a person it authorised, after notifying the Croatian National Bank in advance; or

2) request the Croatian National Bank or a person authorised by the Croatian National Bank to carry out an on-site examination of the branch of a credit institution of that Member State within the territory of the Republic of Croatia.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may carry out on-site examinations of credit institutions of other Member States concerning the implementation of regulations in accordance with Article 368, paragraph (2) of this Act.

XXXI.2 OTHER TRANSITIONAL AND FINAL PROVISIONS

Authorisations and approvals in force

Article 378

Authorisations and approvals issued before the entry into force of this Act shall remain in force.

Procedures

Article 379

All authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the laws in force up to the date of the entry into force of this Act.

Beginning of the application of a countercyclical capital buffer

Article 380

(1) In the period from 1 January 2015 to 31 December 2018, credit institutions shall calculate a countercyclical capital buffer in accordance with Articles 118 to 128 of this Act only based on exposures located in the Republic of Croatia and other Member States which apply countercyclical capital buffers in that period and for which the Croatian National Bank adopts a decision to recognise that transitional period of application of the countercyclical capital buffer requirement.

(2) The Croatian National Bank may adopt a decision to recognise the transitional period of application of a countercyclical capital buffer requirement specified by the designated authority of another Member State which ends before 31 December 2018.

(3) If the Croatian National Bank recognises the transitional period of application of a countercyclical capital buffer requirement referred to in paragraph (2) of this Article, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the relevant college of supervisors.

Procedure for setting a structural systemic risk buffer in the transitional period

Article 381

(1) Where in the period from 1 January 2014 to 31 December 2014 the Croatian National Bank sets or resets a structural systemic risk buffer rate up to 3% of the total risk exposure amount, it shall notify the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned at least one month before it publishes a decision in accordance with Article 382 of this Act. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.

(2) 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 effective and proportionate 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 justification for why none of the existing measures in this Act or in Regulation (EU) No 575/2013, excluding Articles 458 and 459 of that Regulation, alone or in combination, would be sufficient to address the identified macroprudential or systemic risk taking into account the relative effectiveness of those measures; and

6) the systemic risk buffer rate that the Croatian National Bank intends to prescribe.

(3) Where in the period from 1 January 2014 to 31 December 2014 the Croatian National Bank intends to set or reset a structural systemic risk buffer rate of above 3% of the total risk exposure amount, it shall notify in advance the European Commission, the European Systemic Risk Board, the European Banking Authority and the competent and designated authorities of the Member States concerned. If the buffer applies to exposures located in third countries, the Croatian National Bank shall also notify the competent authorities of those third countries.

(4) The notification referred to in paragraph (3) of this Article must contain all information referred to in paragraph (2) of this Article.

(5) The Croatian National Bank may apply the rate referred to in paragraph (3) of this Article only after the European Commission adopts an implementing act authorising the implementation of that rate.

Announcement of a structural systemic risk buffer

Article 382

(1) After meeting the requirements for the application of a structural systemic risk buffer in accordance with Article 381 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. The announcement on the website 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) a justification for the structural systemic risk buffer, except in cases where it could jeopardise the stability of the financial system;

4) the date from which the credit institutions must apply the structural systemic risk buffer; and

5) the names of the countries where exposures located in those countries are recognised in the systemic risk buffer.

(2) The decision referred to in paragraph (1) of this Article shall contain the information referred to in paragraph (1), items (1), (2), (4) and (5) of this Article.

G-SII buffer in the transitional period

Article 383

G-SIIs shall comply with the obligation referred to in Article 135, paragraph (4) of this Act from 1 January 2016 to 31 December 2018 as follows:

- 1) in the period from 1 January 2016 to 31 December 2016, in the amount equal to 25% of the rate prescribed in Article 136, paragraph (4) of this Act;
- 2) in the period from 1 January 2017 to 31 December 2017, in the amount equal to 50% of the rate prescribed in Article 136, paragraph (4) of this Act;
- 3) in the period from 1 January 2018 to 31 December 2018, in the amount equal to 75% of the rate prescribed in Article 136, paragraph (4) of this Act;

Public disclosure of decisions

Article 384

Decisions which shall be legally effective after the entry into force of this Act shall be publicly disclosed in accordance with Article 215, paragraph (4) of this Act.

Time limits for the adoption of subordinate legislation and adjustment of decisions

Article 385

(1) Within six months of the entry into force of this Act, the Croatian National Bank shall adopt subordinate legislation referred to in Article 38, paragraph (3), Article (45), paragraph (5), Article 92, paragraph (3), Article 113, paragraph (4), Article 140, paragraph (6), Article 173, paragraph (5) and Article 175, paragraph (3) of this Act on the basis of this Act and Regulation (EU) No 575/2013.

(2) Within six months of the entry into force of this Act, the Croatian National Bank shall adjust decisions imposing supervisory measures referred to in Article 236 or 237 of the Credit Institutions Act (Official Gazette 117/2008, 74/2009, 153/2009, 108/2012 and 54/2013) with the provisions of this Act and Regulation (EU) No 575/13.

Duties of credit institutions

Article 386

(1) The last reports under the Decision on reports on own funds and capital requirements of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) shall be completed as at 31 December 2013 and delivered by credit institutions to the Croatian National Bank as follows:

- 1) non-consolidated unaudited preliminary reports ('NP') by 31 January 2014 at the latest;
- 2) non-consolidated audited reports ('NR') within 15 days of receipt of the audit report and by 30 April 2014 at the latest; and
- 3) consolidated audited reports ('KR') within 15 days of receipt of the audit report and by 30 April 2014 at the latest.

(2) Credit institutions shall make a public disclosure as at 31 December 2013 in accordance with the Decision on public disclosure of compliance with prudential requirements by credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013) by 31 May 2014 at the latest.

(3) Credit institutions shall carry out an assessment of the suitability of supervisory board members who have taken up office or will take up office up to 30 June 2014 in accordance with this Act and submit an application for prior approval to perform the function of a member of a credit institution's supervisory board by 30 June 2014 at the latest.

(4) Credit institutions shall establish supervisory board committees in accordance with Articles 51, 52 and 53 of this Act by 30 June 2014 at the latest.

(5) By 1 July 2014, all credit institutions which are identified internationally as GSIs shall submit to the European Commission the information referred to in Article 164, paragraph (1), items (4) to (6) of this Act on a confidential basis.

Provisions of this Act that shall cease to have effect on the date on which the liquidity coverage requirement becomes applicable in accordance with a delegated act

Article 387

Articles 368 to 377 of this Act shall cease to have effect on the date of application of the delegated act referred to in Article 460 of Regulation (EU) No 575/2013 in relation to the application of the liquidity coverage requirement.

Application of current subordinate legislation

Article 388

Up to the date of the entry into force of regulations adopted under this Act or Regulation (EU) No 575/2013, the following regulations shall remain in force and be applied in the part not in conflict with Regulation (EU) No 575/2013 and this Act:

- Decision on the effective interest rate of credit institutions and credit unions and on service contracts with consumers;
- Decision on outsourcing;
- Decision on the classification of placements and off-balance sheet liabilities of credit institutions;
- Decision on the chart of accounts for banks;
- Decision on the sale of placements by credit institutions;
- Decision on the method of exercising supervision of credit institutions and imposing supervisory measures;
- Decision on supervisory reports of credit institutions;

- Decision on supervision fees for credit institutions in 2014;
- Decision on the obligation to make provisions for litigations conducted against a credit institution;
- Decision on foreign exchange risk exposure limits of credit institutions;
- Decision on limits on credit institutions' holdings in non-financial institutions and holdings of tangible assets;
- Decision on detailed conditions for the establishment, operation and dissolution of branches of third-country credit institutions in the Republic of Croatia;
- Decision on the internal capital adequacy assessment process for credit institutions;
- Decision on representative offices of credit institutions with head offices outside the Republic of Croatia;
- Decision on employee remuneration;
- Decision on the application of provisions of laws and other regulations within the competence of the Croatian National Bank to credit institutions undergoing winding-up proceedings;
- Decision on adequate information system management;
- Decision on the assessment of the suitability of the chairperson of the management board, members of the management board, members of the supervisory board and key function holders in a credit institution;
- Decision on the content of and the form in which consumers are provided information prior to contracting banking services;
- Decision on the contents of audits of credit institutions;
- Decision on statistical and prudential reporting;
- Decision on the structure and content of annual financial statements of banks;
- Decision on the internal controls system;
- Decision on the management of interest rate risk in the non-trading book;
- Decision on liquidity risk management;
- Decision on risk management; and
- Decision on large exposures of credit institutions.

Regulations that shall cease to have effect

Article 389

The following regulations shall cease to have effect on the date of the entry into force of this Act:

- 1) the Credit Institutions Act (Official Gazette 117/2008, 74/2009, 153/2009, 108/2012 and 54/2013);
- 2) the Decision on the capital adequacy of credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013);
- 3) the Decision on reports on own funds and capital requirements of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012);
- 4) the Decision on own funds of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009, 2/2010 and 118/2011);
- 5) the Decision on public disclosure of compliance with prudential requirements by credit institutions (Official Gazette 1/2009, 75/2009, 2/2010, 118/2011 and 67/2013); and
- 6) the Decision on the supervision of a group of credit institutions on a consolidated basis (Official Gazette 1/2009, 75/2009, 2/2010 and 67/2013).

Entry into force

Article 390

This Act shall be published in the Official Gazette and shall enter into force on 1 January 2014, with the exception of the provisions of:

- Articles 191, 192, 194 to 198 and 202 to 205 of this Act, which shall enter into force on the date of application of the delegated act referred to in Article 387 of this Act;
- Article 189 of this Act, which shall enter into force on the date of application of the technical standards on the benchmark portfolio referred to in Article 78, paragraph (8) of Directive 2013/36/EU;
- Articles 118 to 125, Article 126, paragraphs (1) and (2), Articles 127, 128 and 132, and Article 164, paragraph (1), items (4), (5) and (6) of this Act, which shall enter into force on 1 January 2015; and
- Articles 135 to 138 of this Act, which shall enter into force on 1 January 2016.

TRANSITIONAL AND FINAL PROVISIONS *(Official Gazette 19/2015)*

Transitional provisions concerning recovery plans

Article 152

(1) The recovery plans that credit institutions are required to submit to the Croatian National Bank until 31 December 2014 shall be subject to the provisions of Article 53 of this Act which added Article 154a of the Act.

(2) Until the decision to draw up a recovery plan referred to in Article 53 of this Act which added Article 154c of the Act is reached, a credit institution with a head office in the Republic of Croatia which is a member of a group of credit institutions in the EU shall update the existing recovery plan and where necessary draw up a new one and deliver it to the Croatian National Bank:

- 1) on an individual basis where it is not a part of a group of credit institutions in the RC; or
- 2) on a sub-consolidated basis if it is an RC parent credit institution.

(3) Until the decision to draw up a recovery plan referred to in Article 53 of this Act which added Article 154c of the Act is reached, the recovery plan referred to in paragraph (2) of that Article shall be subject to the provisions of Article 53 of this Act which added Article 154a of the Act.

Transitional provisions concerning exposures to persons in a special relationship with a credit institution

Article 153

The Croatian National Bank may impose on a credit institution the supervisory measure referred to in Article 80 of this Act in the part amending Article 224, paragraph (1), item (20) of the Act where the credit institution contracted the exposures to persons referred to in Article 146 of the Act contrary to the provisions of that Act.

Transitional period in relation to the list of financial contracts

Article 154

A credit institution shall prepare a list of all financial contracts referred to in Article 52 of this Act in the part amending Article 154, paragraph (13) of the Act, within six months of the entry into force of this Act.

Transitional provisions relating to contracts with the management board

Article 155

The provisions of Article 13 of this Act in the part amending Article 37, paragraph (2) of the Act shall not apply to contracts concluded prior to the entry into force of this Act.

Transitional provisions concerning compulsory winding-up and bankruptcy proceedings and bankruptcy proceedings in progress

Article 156

(1) By way of derogation from Article 106 of this Act which amended Article 255 of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority may reach a decision to initiate the compulsory winding-up against a credit institution regardless whether the conditions relating to the resolution plan are met.

(2) By way of derogation from Article 113 of this Act which amended Article 262.b of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority shall act in accordance with the said Article regardless whether the conditions relating to the resolution plan are met.

(3) By way of derogation from Article 114 of this Act which amended Article 265 of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the resolution authority may submit a proposal to open bankruptcy proceedings against a credit institution regardless whether the conditions relating to the resolution plan are met.

(4) By way of derogation from Article 115 of this Act which amended Articles 265.a and 265.b of the Act, until the adoption of the first resolution plan pursuant to the Act on the Resolution of Credit Institutions and Investment Firms, the Croatian National Bank as the group-level resolution authority shall act in accordance with the said Articles regardless whether the conditions relating to the resolution plan are met.

(5) All proceedings in which a request to open bankruptcy proceedings was submitted prior to the entry into force of this Act, and the decision on the opening of bankruptcy proceedings was not issued until the date of the entry into force of this Act, shall be completed pursuant to the provisions of the Act in force at the time when the request was submitted.

(6) All bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force at the time when the decision on the opening of bankruptcy proceedings was adopted.

Transitional provisions concerning loans in CHF and kuna loans indexed to CHF

Article 157

(1) In relation to credit contracts of natural persons who perform the activity of freelancers, craftsmen, sole traders and family farm holders contracted in CHF or in kuna but indexed to CHF, for annuity payments or regularly repaid instalments, the CHF exchange rate against the kuna shall be set at HRK 6.39 for one CHF for the period of one year from the entry into force of this Act.

(2) The difference in the amount of annuity or instalment arising from the application of the exchange rate referred to in paragraph (1) of this Article relative to the exchange rate formed freely at the market of foreign means of payment by supply and demand shall be the cost of the credit institution.

(3) The provisions of paragraphs (1) and (2) of this Article shall be applied to credit contracts in CHF or in kuna but indexed to CHF concluded prior to the entry into force of this Act regardless of the total amount and type of credit.

Time limits for the adoption of subordinate legislation

Article 158

(1) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 47 of this Act in the part which added Article 146c of the Act within six months of the entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 77 of this Act in the part which added Article 216f, paragraph (3) of the Act and Article 88 of this Act in the part which amended Article 235, paragraph (2) of the Act within three years of the entry into force of this Act.

Entry into force

Article 159

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 117 of this Act in the part which amended Article 267, paragraph (7) of the Act, which shall enter into force on 1 January 2016.

TRANSITIONAL AND FINAL PROVISIONS

(Official Gazette 102/2015)

This Act shall be published in the Official Gazette and shall enter into force on 30 September 2015.

TRANSITIONAL AND FINAL PROVISIONS

(Official Gazette 15/2018)

Article 152

(1) In the entire text of the Credit Institutions Act the Croatian word translated as "web" is replaced by another Croatian word, with no relevance to the English translation.

(2) In the entire text of the Credit Institutions Act the words "infringed protected value" are replaced by the words "total income".

Proceedings in process

Article 153

(1) Authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(2) Applications for authorisation and approval submitted before the entry into force of subordinate legislation adopted under this Act shall be completed in accordance with the provisions of the Act in force up to the entry into force of this Act.

(3) Bankruptcy proceedings opened prior to the entry into force of this Act shall be completed pursuant to the provisions of the Act in force on the date of the adoption of the decision on the opening of bankruptcy proceedings.

(4) Proceedings in which a request to open bankruptcy proceedings was submitted prior to the entry into force of this Act, and the decision on the opening of bankruptcy proceedings was not issued until the date of the entry into force of this Act, shall be completed pursuant to the provisions of the Act in force on the date of submission of the request to open bankruptcy proceedings.

(5) In misdemeanour proceedings started before the entry into force of this Act, G-SIIs and O-SIIs shall be credit institutions whose assets exceed HRK 7 billion in the year when the misdemeanour was committed.

(6) Credit institutions which are undergoing voluntary winding-up proceedings on the date of the entry into force of this Act shall within one year of the entry into force of this Act close voluntary winding-up proceedings, apply for the removal of the undertaking from the register of companies and submit evidence thereof to the Croatian National Bank.

(7) By way of derogation from paragraph (6) of this Article, credit institutions that deem they will not be able to close voluntary winding-up proceedings and apply for removal from the register of companies within one year of the entry into force of this Act shall deliver to the Croatian National Bank:

1) a winding-up plan in the scope appropriate to the stage the winding-up;

2) a decision of the general meeting on the dissolution of the undertaking;

3) a notification of the invitation to creditors;

4) a report on the status of the undertaking; and

5) a decision of the general meeting on the adoption of the audited initial liquidation financial statements.

(8) The Croatian National Bank shall not adopt a decision referred to in Article 118 of this Act amending Article 250 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) on the delivered winding-up plan referred to in paragraph (7) of this Article.

(9) The Croatian National Bank may adopt a decision to initiate compulsory winding-up if:

1) the credit institution referred to in paragraph (6) of this Article fails to complete voluntary winding-up proceedings and fails to apply for the removal from the register of companies within the time limit referred to in paragraph (6) of this Article; or

2) the credit institution referred to in paragraph (6) of this Article fails to deliver the documents listed in paragraph (7) of this Article within the time limit referred to in paragraph (6) of this Article;

3) the Croatian National Bank assesses pursuant to the delivered documents referred to in paragraph (7) of this Article that the voluntary winding-up referred to in paragraph (6) of this Article might be detrimental to the rights of creditors or determines the existence of any of the reasons that would jeopardise voluntary winding-up or the implementation of the winding-up plan.

(10) The provisions of Title XX.2 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) governing compulsory winding-up of a credit institution shall apply mutatis mutandis in cases referred to in paragraph (9) of this Article.

Time limits for compliance with the provisions of this Act

Article 154

(1) Credit institutions which on the date of the entry into force of this Act provide the services referred to in Article 5 of this Act by which item (4) is added to Article 8, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) shall within one year of the entry into force of this Act obtain authorisation of the Croatian National Bank to provide these additional financial services.

(2) The provisions of Article 139 of this Act by which paragraph (9) is added to Article 305 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) shall apply to all loans in repayment on the date of the entry into force of this Act.

(3) For loans that were repaid in full within the period of ten years prior to the entry into force of this Act and for which the credit institution failed to provide a statement of release and return to the consumer all instruments of collateral for the repaid loan, the credit institution shall within two years of the entry into force of this Act, free of charge, in writing, notify the consumer of the manner in which to obtain the statement of release and in case of the rights of third persons who have repaid the loan in part or in full, of the rights of such persons and further conditions to obtain the statement of release, as well as of the manner in which to retrieve any instruments of collateral for the repaid loan. The credit institution shall in the same manner notify all third persons (guarantors, co-debtors, pledgors, etc.) who repaid the loan in part or in full.

(4) Regardless of the credit institution's obligation referred to in paragraph (3) of this Article, the credit institution shall without delay provide to the consumer, at the consumer's request, the statement of release and return all available instruments of collateral for all loans repaid in full. Exceptionally, in case of the rights of third persons who repaid the loan in part or in full, the credit institution shall act in accordance with paragraph (3) of this Article.

Time limits for the adoption of subordinate legislation

Article 155

(1) The Croatian National Bank shall disclose the important elements of the methodology referred to in Article 59 of this Act within 12 months of the entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 8, 13, 19, 22, 29, 48, 49, 61, 62, 85 and 118 of this Act within 12 months of the entry into force of this Act.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in Articles 35, 76, 116 and 138 of this Act within three years of the entry into force of this Act.

Entry into force

Article 156

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 135 of this Act in the part which amended Article 301, paragraph (2) of the Credit Institutions Act (159/2013, 19/2015 and 102/2015), which shall enter into force on 1 July 2018.

FINAL PROVISIONS

(Official Gazette 70/2019)

Provisions of this Act that shall cease to have effect

Article 4

(1) On the date of application of the Decision on close cooperation published in the Official Journal of the European Union Article 3 of this Act shall cease to apply in the part adding Article 11b.

(2) As of the date of termination of close operation in accordance with Article 7 of Regulation (EU) No 1024/2013 or as of the date on which the derogation pursuant to Article 139 TFEU is abrogated in respect to the Republic of Croatia in accordance with Article 140(2) TFEU, the provisions of Article 3 of this Act shall cease to apply in the part adding Article 11a.

Entry into force

Article 5

This Act shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 3 of this Act in the part adding Article 11a, which shall

enter into force on the date of application of the Decision on close cooperation published in the Official Journal of the European Union.