



YEARS OF  
THE CROATIAN  
NATIONAL  
BANK

## Effective crisis management policy

---

Published: 30/6/2015 Modified: 10/2/2016

Possibilities and procedures for effective management of crisis situations include preventive measures, early intervention measures and resolution measures. Together with the Croatian Financial Services Supervisory Agency (HANFA) and the State Agency for Deposit Insurance and Bank Resolution (DAB), the Croatian National Bank is in charge of resolution proceedings concerning institutions under its competence. Such coordination will help align various policies, coordinate the activities of assessment, consideration and mitigation of systemic risks and communication with the general public, which completes the institutional framework supporting financial system stability.

The crisis management policy is institutionalised by actions of the Croatian National Bank. Under the provisions of the [Credit Institutions Act](#) the CNB is competent for the implementation of precautionary measures and early intervention measures. Under the provisions of the [Act on the Resolution of Credit Institutions and Investment Firms](#), the CNB is also one of the [resolution authorities](#) in the Republic of Croatia and is competent to exercise [resolution powers](#) in relation to credit institutions.

Effective crisis management comprises: (i) preventive measures, (ii) early intervention measures, and (iii) resolution measures.

As part of preventive measures, credit institutions in Croatia are required to draw up and update [recovery plans](#) at least annually (or after a change in the legal or organisational structure, or after a change in the business or financial situation which could have a material effect on or necessitate a change to the recovery plan). Recovery plans do not assume any access to or receipt of extraordinary public financial support and are structured as follows. In case of serious disruptions in a credit institution's regular operation that undermine the functioning of the credit institution and its viability in the market, early intervention measures are activated, which may include: the application of measures from the recovery plan; identification and addressing of problems in operations; the CNB may convene the general meeting and propose to the shareholders to adopt certain measures; the CNB may also require removal from office of members of the management body or senior management; preparation of a plan for negotiation on restructuring of debt to creditors; change in the business strategy; change in the legal or organisational structure of the credit institution; appointment of a temporary administrator, etc.

The last line of defence (for credit institution's operation or financial stability in general) is provided by resolution procedures. In its preparatory stage, the Croatian National Bank draws up resolution plans. It takes into consideration relevant scenarios, including idiosyncratic and macroeconomic events, but excluding assumptions of extraordinary public financial support (apart from using resolution fund resources) and liquidity assistance from the [CNB](#).

Where some impediments to implementation of the plan are detected, the Croatian National Bank may take one of the following measures to remove such impediments: require the institution to revise any intragroup financing agreements; require the institution to limit maximum individual and aggregate exposures; impose additional information requirements; require the institution to divest specific assets; require the institution to limit or cease specific activities; restrict or prevent the development of new or existing business lines or products; require changes to legal or operational structures of the institution or any of its subsidiaries; require the institution or its parent undertaking to set up a parent financial holding company; require the institution to issue or redefine liabilities to make them eligible as bail-in tools. Sanacijski plan se aktivira ako:

1. an institution is failing or likely to fail (determined by the CNB);
2. there is no reasonable prospect that any alternative private sector measures, measures by an institutional protection scheme, supervisory measures in the early intervention phase or the write down or conversion of relevant capital instruments would prevent the failure of the institution within a reasonable timeframe;
3. it is in the public interest or if it is deemed that resolution is necessary to achieve the [resolution objectives](#).

On proposal by the CNB, a decision to initiate resolution proceedings or to submit a request to open bankruptcy proceedings is adopted by the DAB within three working days and delivered to the Ministry of Finance, CNB, HANFA, Financial Stability Council and the following EU bodies: EBA, ESRB, EC, ECB, ESMA and EIOPA. The DAB adopts a decision to appoint resolution administration within the decision on resolution or within 24 hours and thereby takes over control of the institution under resolution.

This implies the use of [resolution tools](#) such as the sale of business tool, while taking account of the principles governing [resolution](#).

© HRVATSKA NARODNA BANKA