

THE CROATIAN PARLIAMENT

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Pursuant to Article 89 of the Constitution of the Republic of Croatia, I hereby issue the

DECISION

PROMULGATING THE ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

I hereby promulgate the Act on Amendments to the Credit Institutions Act passed by the Croatian Parliament at its session on 7 April 2020.

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Zagreb, 9 April 2020

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

ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

Article 1

In the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019), in Article 2, after paragraph (5), paragraph (6) is added which reads:

"(6) This Act further regulates the implementation of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, hereinafter referred to as 'Regulation (EU) No 806/2014')".

Article 2

In Article 3, after item (8), item (8a) is inserted which reads:

"8a) '*participating Member State*' shall have the meaning as defined in Article 2, item (1) of Regulation (EU) No 1024/2013;"

After item (22), items (22a) and (22b) are inserted which read:

"22a) '*Single Supervisory Mechanism*' ('SSM') shall have the meaning as defined in Article 2, item (9) of Regulation (EU) No 1024/2013;

22b) '*Single Resolution Board*' means the board established in accordance with Article 42 of Regulation (EU) No 806/2014;"

After item (47a), items (47b), (47c) and (47d) are inserted which read:

"47b) '*national competent authority*' shall have the meaning as defined in Article 2, item (2) of Regulation (EU) No 1024/2013. In the Republic of Croatia, the national competent authority is the Croatian National Bank;

47c) '*national designated authority*' shall have the meaning as defined in Article 2, item (7) of Regulation (EU) No 1024/2013. In the Republic of Croatia, the national designated authority is the Croatian National Bank;

47d) '*national reference rate of the average cost of financing the Croatian banking sector*' ('NRR') shall have the meaning as defined in Article 2, paragraph (1), item (16) of the Consumer Credit Act (Official Gazette 75/2009, 112/2012, 143/2013, 147/2013, 9/2015, 78/2015, 102/2015 and 52/2016);"

After item (56), item (56a) is inserted which reads:

"56a) '*average daily income*' means total annual income as referred to in item (86) of this Article divided by 365;"

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

"81a) '*entity for which the Single Resolution Board is directly responsible*' means the entity referred to in Article 3, paragraph (1) of the Act on the Resolution of Credit Institutions and Investment Firms (Official Gazette 19/2015 and 16/2019) for which the Single Resolution Board is directly responsible in accordance with Article 7, paragraph (2) of Regulation (EU) No 806/2014 and, when the conditions for their implementation have been met, Article 7, paragraph (4), item (b) and paragraph (5) of Regulation (EU) No 806/2014, where the direct responsibility is established by the decision of the Single Resolution Board;"

Item (86) is amended to read:

"86) '*total income*' means total annual net income of an undertaking in the preceding business year, including gross income consisting of interest receivable and similar income, income from shares and other variable and fixed-yield securities and commissions and fees receivable in accordance with Article 316 of Regulation (EU) No 575/2013. Exceptionally, for undertakings which are subsidiaries of a parent undertaking, the relevant net income from interest and fees shall be determined based on the consolidated annual financial statements of the ultimate parent undertaking;"

Article 3

In Article 8, paragraph (2), item (1) is amended to read:

"1) activities related to distribution of insurance in accordance with the regulations governing insurance;"

Article 4

In Article 11, paragraph (2) is amended to read:

"(2) The Croatian National Bank shall be the designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 and Article 144a of this Act in the part related to the adoption of measures associated with credit institutions."

Article 5

In Article 11b, after paragraph (3), paragraph (4) is added which reads:

"(4) By way of derogation from Article 220, paragraphs (1) and (2) of this Act, the Croatian National Bank shall implement any measure prescribed in this Act that is required in relation to the results of the comprehensive assessment referred to in paragraph (1) of this Article."

Article 6

After Article 11b, Article 11c and its title are inserted which read:

"Identifying a significant credit institution"

Article 11c

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

(2) The Croatian National Bank shall, at least annually, review whether the less significant supervised entity or a less significant supervised group meets the criteria laid down in Article 6, paragraph (4) of Regulation (EU) No 1024/2013. Where it assesses that a less significant supervised entity or a less significant supervised group meets the criteria laid down in Article 6, paragraph (4) of Regulation (EU) No 1024/2013, the Croatian National Bank shall without delay notify the European Central Bank thereof."

Article 7

In Article 24, paragraph (5), the words '12 months' are replaced by the words 'three months'.

Paragraph (6) is amended to read:

"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 for no longer than three months."

After paragraph (22), paragraph (23) is added which reads:

"(23) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall cooperate with the European Central Bank in the decision-making procedure regarding prior approval to acquire or increase a qualifying holding in a credit institution."

Article 8

Article 26 is amended to read:

"(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. When acknowledging the receipt of a complete application, the Croatian National Bank shall notify the applicant of the date of expiry of the decision-making period. The Croatian National Bank shall notify the European Central Bank of receiving the application for prior approval to acquire or increase a qualifying holding no later than five working days of the receipt of the 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 the 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 (5) of this Act.

(4) 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 the submission of a complete application.

(5) The Croatian National Bank shall at least 15 working days before the end of the period referred to in paragraph (4) of this Article submit a draft decision on the application to the European Central Bank and request instructions. The Croatian National Bank shall decide on the application referred to in Article 24, paragraph (4) of this Act in accordance with the instructions given by the European Central Bank.

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 (4) 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 communication thereon and state the reasons for the refusal.

(7) 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.

(8) If the Croatian National Bank fails to adopt a decision on an application within the time limit referred to in paragraph (4) of this Article, prior approval to acquire a qualifying holding shall be deemed to have been granted."

Article 9

In Article 27, after paragraph (3), paragraph (4) is added which reads:

"(4) The Croatian National Bank shall notify the European Central Bank if the decision-making period has temporarily been suspended, in accordance with this Article. The Croatian National Bank shall forward any received additional information to the European Central Bank at the latest within five working days following the receipt thereof from the applicant."

Article 10

In Article 29, before the words 'The Croatian', a paragraph designation '(1)' is added.

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

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

Article 11

In Article 32, after paragraph (2), paragraph (3) is added which reads:

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

Article 12

In Article 38, paragraph (1) is amended to read:

"(1) Persons who at all times meet the following criteria may be members of the credit institution's management board:

1) they are of good repute, have honesty and integrity;

- 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 able to have independence of mind, i.e. they do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;
- 4) they meet the criteria for management board members under the provisions of the act governing the operation of undertakings; and
- 5) they are able to commit sufficient time to perform the duties within their competence."

Article 13

In Article 39, paragraph (9) is deleted.

The former paragraph (10), which becomes paragraph (9), is amended to read:

"(9) 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 that the candidate for a management board member does not meet the criteria referred to in Article 38 of this Act."

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

After the former paragraph (14), which becomes paragraph (13), new paragraphs (14) and (15) are added which read:

"(14) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall cooperate with the European Central Bank in the decision-making procedure regarding prior approval to perform the function of a management board member of a credit institution.

(15) In the case referred to in paragraph (14) of this Article, the Croatian National Bank shall notify the European Central Bank of the time limit within which the Croatian National Bank is required to reach a decision regarding the application referred to in paragraph (2) of this Article. In this case the Croatian National Bank shall decide on the application referred to in paragraph (2) of this Article in accordance with the instructions given by the European Central Bank."

Article 14

In Article 41, paragraph (1), item (2) is amended to read:

"(2) this Act, regulations adopted under this Act and, where applicable, regulations of the European Union governing the operation of credit institutions and legal acts of the European Central Bank adopted pursuant to Regulation (EU) No 1024/2013; and"

Article 15

In Article 44, paragraph (1), in the introductory sentence, the word 'legal' is deleted.

Item (7) is amended to read:

"7) if, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision."

In paragraph (3), in the introductory sentence, the word 'legal' is deleted.

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

"(8) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall revoke the approval to perform the function of a chairperson or a member of the credit institution's management board when the prescribed conditions for that are met in accordance with the instructions given by the European Central Bank."

Article 16

In Article 45, paragraph (1) is amended to read:

"(1) Persons who at all times meet the following criteria may be members of the credit institution's supervisory board:

- 1) they are of good repute, have honesty and integrity;
- 2) they possess adequate knowledge, skills and experience to perform the duties within their competence, and together with other members of the supervisory board meet the requirements referred to in Article 35, paragraph (3) of this Act;
- 3) they are able to have independence of mind, i.e. they do not have a conflict of interest that cannot be managed in a manner that ensures independence of mind;
- 4) they are able to commit sufficient time to perform the duties within their competence; and
- 5) they meet the criteria for supervisory board members under the provisions of the Companies Act."

Article 17

In Article 46, paragraph (8) is deleted.

The former paragraph (9), which becomes paragraph (8), is amended to read:

"(8) 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 that the candidate for a supervisory board member does not meet the criteria referred to in Article 45 of this Act."

The former paragraphs (10) and (11) become paragraphs (9) and (10).

After the former paragraph (12), which becomes paragraph (11), new paragraph (12) and paragraph (13) are added which read:

"(12) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall

cooperate with the European Central Bank in the decision-making procedure regarding prior approval to perform the function of a supervisory board member of a credit institution.

(13) In the case referred to in paragraph (12) of this Article, the Croatian National Bank shall notify the European Central Bank of the time limit within which the Croatian National Bank is required to reach a decision regarding the application referred to in paragraph (2) of this Article. The Croatian National Bank shall decide on the application referred to in paragraph (3) of this Article in accordance with the instructions given by the European Central Bank."

Article 18

In Article 47, paragraph (1), in the introductory sentence, the word 'legal' is deleted.

Item (5) is amended to read:

"5) where, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision."

In paragraph (2), the word 'legal' is deleted.

After paragraph (4), paragraph (5) is added which reads:

"(5) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall, where the prescribed conditions are met, revoke the approval to perform the function of a member of the credit institution's supervisory board in accordance with the instructions given by the European Central Bank."

Article 19

In Article 60, after paragraph (5), paragraph (6) is added which reads:

"(6) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall cooperate with the European Central Bank in the decision-making procedure regarding the authorisation of credit institutions."

Article 20

In Article 63, after paragraph (15), paragraph (16) is added which reads:

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

Article 21

In Article 65, paragraph (1), the words 'paragraph (7) of this Article' are replaced by the words 'paragraph (8) of this Article'.

After paragraph (6), new paragraph (7) is inserted which reads:

"(7) The Croatian National Bank shall, within 20 working days before the end of the period referred to in Article 327 of this Act, submit to the European Central Bank a draft decision on authorisation referred to in paragraph (2) of this Article and request instructions. The Croatian National Bank shall also submit the draft decision on authorisation referred to in paragraph (2) of this Article to the applicant. The Croatian National Bank shall decide on the application referred to in paragraph (2) of this Act in accordance with the instructions given by the European Central Bank."

The former paragraph (7) becomes paragraph (8).

Article 22

In Article 67, paragraph (1), the introductory sentence is amended to read:

"(1) The Croatian National Bank shall assess whether the following conditions for authorisation are met:"

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

"(3) If the Croatian National Bank determines that the conditions for authorisation referred to in paragraph (1) of this Article are met, it shall prepare a draft decision on authorisation. The Croatian National Bank shall, within 20 working days before the end of the period referred to in Article 327 of this Act, submit to the European Central Bank a draft decision on authorisation and request instructions. The Croatian National Bank shall also submit the draft decision on authorisation to the applicant. The Croatian National Bank shall decide on the application for authorisation in accordance with the instructions given by the European Central Bank.

(4) If the Croatian National Bank determines that the conditions for authorisation referred to in paragraph (1) of this Article are not met, it shall reject the application and notify the European Central Bank thereof."

Article 23

In Article 68, paragraph (1), item (5) is amended to read:

"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) of this Act, which shall be adopted at the same time as the decision to revoke authorisation."

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

"(3) The Croatian National Bank shall notify the European Central Bank of the lapsing of the credit institution's authorisation pursuant to paragraph (1) of this Article."

Article 24

Article 69 is amended to read:

"(1) The Croatian National Bank shall assess whether any of the following reasons for revocation of authorisation are met:

- 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 on its own ceases to provide banking services for more than six months;
- 4) where a credit institution no longer meets the prudential requirements set out in Parts Three, Four and Six of Regulation (EU) No 575/2013 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;
- 5) 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;
- 6) where a credit institution fails to meet internal capital requirements and other operating conditions in accordance with regulations on risk management;
- 7) 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;
- 8) where a credit institution prevents supervision of its operation in any manner whatsoever;
- 9) where a credit institution fails to implement supervisory measures imposed by a decision of the Croatian National Bank;
- 10) where there are reasons for revocation of approval to acquire a qualifying holding referred to in Article 32 of this Act;
- 11) where a credit institution fails to meet the requirements relating to deposit insurance laid down in the law governing deposit insurance;
- 12) where a credit institution fails to meet the technical, organisational, personnel and other requirements for the provision of banking services;
- 13) where a credit institution fails to act in accordance with Article 151, paragraph (2), item (5) and paragraph (3), item (2) of this Act;

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

15) 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;

16) 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;

17) 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;

18) 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;

19) 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;

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

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

22) 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;

23) 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;

24) 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;

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

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

27) where, in the case of a renewed procedure, it is established that the decision was made on the basis of false or inaccurate data or statements relevant to the adoption of that decision.

(2) The Croatian National Bank shall prepare a draft decision to revoke authorisation and submit it to the European Central Bank requesting instructions if it assesses that the reasons

referred to in paragraph (1) of this Article for revocation of authorisation have arisen, if there are no grounds for bankruptcy referred to in Article 266 of this Act and if one of the following reasons has arisen:

- there are no grounds for adopting a decision to submit a request to open resolution proceedings; or
- the State Agency for Deposit Insurance and Bank Resolution as the resolution authority rejects the request to open resolution proceedings submitted by the Croatian National Bank; or
- the Single Resolution Board has not adopted a decision to open resolution proceedings against a credit institution; or
- the event referred to in Article 18, paragraph (8) of Regulation (EU) No 806/2014 has occurred.

The Croatian National Bank shall decide on the revocation of authorisation in accordance with the instructions given by the European Central Bank.

(3) In the dispositive part of the decision referred to in paragraph (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) and (2) of this Article, 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 or the Single Resolution Board adopts a decision to open resolution proceedings until the moment it adopts a decision on the completion of resolution proceedings."

Article 25

In Article 70, paragraph (3), the words 'or (5)' are deleted.

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

"(7) Prior to issuing the decision referred to in paragraph (1) of this Article, the Croatian National Bank shall, without undue delay, notify the European Central Bank thereof."

Article 26

In Article 73, after paragraph (2), paragraph (3) is added which reads:

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

Article 27

In Article 75, after paragraph (7), paragraph (8) is added which reads:

"(8) In accordance with this Article, any significant credit institution that intends to establish a branch in another participating Member State shall notify the Croatian National Bank of this intention. The Croatian National Bank shall without delay notify the European Central Bank thereof and request instructions. In this case the Croatian National Bank shall decide on the application referred to in paragraph (1) of this Article in accordance with the instructions given by the European Central Bank."

Article 28

In Article 88, paragraph (1), after item (3), the full stop is deleted and item (4) is added which reads:

"4) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5))."

In paragraph (2), after item (6), the full stop is deleted and item (7) is added which reads:

"7) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5))."

Article 29

In Article 92, paragraph (1), item (5) is amended to read:

"5) outsourcing (Articles 109 to 111);"

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

"19a) exchange of information for the purpose of assessing creditworthiness or managing credit risk (Article 321, paragraphs (2) to (5));"

Article 30

After Article 100, Articles 100a and 100b and their titles are inserted which read:

"Ratio between the variable and fixed components of total remuneration

Article 100a

(1) Credit institutions shall set the ratio between the variable and fixed components of the total remuneration of a staff member so that the amount of the variable remuneration component does not exceed the amount of the fixed remuneration component.

(2) By way of derogation from paragraph (1) of this Article, credit institutions may set the amount of the variable component of total remuneration at double the amount of a staff member's fixed component of total remuneration provided that all of the following conditions are met:

1) at the credit institution's general meeting, a decision has been adopted to approve the amount of variable remuneration based on a management board's proposal, which comprises the rationale for such decision, the number of staff members to which the decision relates and their

functions as well as the expected impact of the decision on the maintenance of an adequate level of capital;

2) the decision referred to in item (1) of this paragraph has been adopted by the votes accounting for at least three quarters of the initial capital represented at the general meeting;

3) staff members for which a higher ratio of the variable to fixed component is requested have not participated in the voting on the decision referred to in item (1) of this paragraph;

4) the credit institution has notified all shareholders in advance that a decision on the higher ratio of the variable to fixed component is to be proposed at the general meeting;

5) the credit institution has notified the Croatian National Bank within five working days prior to the general meeting that a decision on the higher ratio of the variable to fixed component is to be proposed at the general meeting. In the notification, the credit institution shall:

a) state the requested ratio between variable and fixed components;

b) explain this ratio; and

c) demonstrate that the requested ratio would not exert a negative impact on the fulfilment of the credit institution's obligations under Regulation (EU) No 575/2013, this Act and subordinate legislation adopted under this Act, in particular on the maintenance of an adequate level of own funds.

(3) Credit institutions shall, within five working days after the date the general meeting was held, notify the Croatian National Bank of the decision adopted at the general meeting regarding the approval of:

1) a higher ratio between the variable and fixed components of remuneration, including the specification of the higher ratio; and

2) different higher ratios between variable and fixed components, if different higher ratios are applied to different business units, control and other functions and different categories of identified staff, including the specification of different higher ratios.

(4) Credit institutions shall, within the deadline referred to in paragraph (3) of this Article, submit to the Croatian National Bank the following information:

1) total number of staff (at the end of the last financial year);

2) number of identified staff (outcome of the last identification process);

3) balance sheet total (at the end of the last financial year);

4) decision taken by the general meeting of the credit institution;

5) ratio decided; and

6) where different ratios within the credit institution were approved, the business areas and approved percentages and the maximum approved ratio.

(5) If a decision has been adopted at the credit institution's general meeting to approve the reduction of the previously determined higher maximum ratio between the variable and fixed components of total remuneration, such a decision shall be adopted by a majority of votes present at the general meeting. The credit institution shall notify the Croatian National Bank thereof within five working days after the date the general meeting was held.

Restrictions on the types and designs of instruments in which variable remuneration may be awarded

Article 100b

To award variable remuneration, credit institutions may use the types of instruments in the form of ordinary shares of a credit institution which is their direct or indirect parent or in the form of instruments linked to ordinary shares of the credit institution which is their direct or indirect parent and which have an embedded clause that limits the maximum allowed value of instruments to their value on the date the remuneration was awarded, only if the management of capital at the level of the group of credit institutions of which the credit institution is a member prevents or significantly hinders the use of instruments issued by the credit institution itself."

Article 31

Before Article 109, the title of Title V.2.4 is amended to read: 'OUTSOURCING'.

The title of Article 109 is amended to read:

"Definition of outsourcing and register of outsourcing arrangements"

Article 109 is amended to read:

"(1) 'Outsourcing' means an arrangement of any form between a credit institution and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the credit institution itself.

(2) Credit institutions shall maintain an updated register of information on all outsourcing arrangements."

Article 32

In Article 110, paragraph (3) is amended to read:

"(3) A credit institution which intends to outsource a critical or important process, service or activity shall notify the Croatian National Bank thereof and submit the prescribed documentation."

Paragraph (4) is deleted.

Article 33

Article 111 is amended to read:

"The Croatian National Bank shall adopt subordinate legislation to further regulate:

- 1) the term 'critical or important process, service or activity';
- 2) processes, services or activities that are not considered outsourcing in accordance with Article 109, paragraph (1) of this Act;
- 3) detailed conditions for outsourcing;
- 4) content of information, form and maintenance of the register of outsourcing arrangements;

5) 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."

Article 34

In Article 114, after paragraph (6), paragraph (7) is added which reads:

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

Article 35

In Article 119, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall be the designated authority 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. In the case referred to in Article 11a of this Act, the Croatian National Bank shall perform macroprudential tasks together with the European Central Bank. In this case the Croatian National Bank shall follow the instructions given by the European Central Bank with respect to setting the countercyclical buffer rate."

Article 36

In Article 129, paragraph (3) is amended to read:

"(3) The Croatian National Bank shall be the designated authority responsible for setting the structural systemic risk buffer for credit institutions in accordance with Article 133, paragraph (2) of Directive 2013/36/EU and for recognition of the systemic risk buffer rate for credit institutions in accordance with Article 134, paragraph (1) of Directive 2013/36/EU. In the case referred to in Article 11a of this Act, the Croatian National Bank shall perform macroprudential tasks together with the European Central Bank. In this case the Croatian National Bank shall follow the instructions given by the European Central Bank with respect to setting the structural systemic risk buffer rate."

Article 37

In Article 137, paragraph (4) is amended to read:

"(4) The Croatian National Bank shall set an O-SII buffer rate, on a consolidated, 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. In the case referred to in Article 11a of this Act, the

Croatian National Bank shall perform macroprudential tasks together with the European Central Bank. In this case the Croatian National Bank shall follow the instructions given by the European Central Bank with respect to setting the O-SII buffer rate of a credit institution."

Article 38

In Article 143, after paragraph (7), paragraph (8) is added which reads:

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

Article 39

After Article 144, Title VIIa and its title and Article 144a and its title are inserted which read:

"VIIa MACROPRUDENTIAL MEASURES

Measures and instruments aimed at increasing the resilience and safeguarding the stability of the financial system as a whole

Article 144a

The Croatian National Bank as a designated authority shall, when this is necessary to safeguard the stability of the financial system as a whole, to strengthen the resilience of the financial system and to prevent and mitigate systemic risks, adopt subordinate legislation to set appropriate measures and instruments that may include:

- the highest allowed ratio of the collateral value to the approved loan amount;
- the highest allowed ratio of the loan amount to the income of the borrower;
- the highest allowed ratio of the debt service to the income of the borrower;
- the maximum maturity of the loan agreement;
- the requirements related to the loan amortization; or
- other measures and requirements aimed at safeguarding the stability of the financial system as a whole and preventing and mitigating systemic risks."

Article 40

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

"Limits to large exposures

Article 145a

(1) During a transitional period defined in Article 493, paragraph (3) of Regulation (EU) No 575/2013, a credit institution's exposures referred to in item (c) of that Article, including participations or other kinds of holdings, towards its parent undertaking, to other subsidiaries of that parent undertaking or to its own subsidiaries, in so far as those undertakings are covered by supervision on a consolidated basis in accordance with Title XXII of this Act, Regulation (EU) No 575/2013, regulations governing the operation of financial conglomerates or equivalent standards in force in the third country that apply to that credit institution, shall not exceed 25% of the credit institution's eligible capital.

(2) For the purposes of calculating the exposure amount referred to in paragraph (1) of this Article, a credit institution applies credit risk mitigation in accordance with Article 399, Article 400, paragraph (1), Article 401 and Article 403 of Regulation (EU) No 575/2013.

(3) At the end of the transitional period defined in Article 493, paragraph (3) of Regulation (EU) No 575/2013, the provisions of paragraph (1) of this Article continue to apply to credit institutions in accordance with this Act."

Article 41

In Article 154a, after paragraph (11), paragraphs (12) and (13) are added which read:

"(12) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall cooperate with the European Central Bank in the recovery plan assessment process. In this case the Croatian National Bank shall decide in accordance with the instructions given by the European Central Bank.

(13) In the case referred to in Article 10 of Regulation (EU) No 806/2014, when assessing recovery plans the Croatian National Bank shall act in accordance with that Regulation."

Article 42

In Article 157, paragraph (3), item (1) is amended to read:

"1) where the client's consent is given that specific confidential information may be disclosed to another natural and/or legal person, provided that the consent may be verified. To the extent that the confidential information involves personal data, the consent shall be given in accordance with the regulations governing the protection of personal data;"

Item (5) is amended to read:

"5) where confidential information on clients is disclosed directly to another credit institution in accordance with Article 321 of this Act;"

After item (5), item (5a) is inserted which reads:

"5a) where confidential information on clients is disclosed directly to another credit institution and/or financial institution or to a legal person which collects and exchanges information

between credit and/or financial institutions, and the information is required for assessing client's creditworthiness or managing credit risk;".

In item (24), the word 'and' at the end of the sentence is deleted.

After item (24), item (24a) is inserted which reads:

"24a) where confidential information is disclosed to the Single Resolution Board in accordance with Regulation (EU) No 806/2014; and".

Paragraph (5) is deleted.

In the former paragraph (6), which becomes paragraph (5), the introductory sentence is amended to read:

"(5) Where confidential information is exchanged on the basis of a consent of the client referred to in paragraph (3), item (1) of this Article or in accordance with paragraph (3), items (5), (5a) and (6) of this Article, the credit institution shall ensure that the following conditions are met:".

In the former paragraph (7), which becomes paragraph (6), the words 'paragraph (6) of this Article' are replaced by the words 'paragraph (5) of this Article'.

Article 43

In Article 172, paragraph (1), item (2), the words 'paragraphs (1) and (2)' are replaced by the words 'paragraph (1)'.

Article 44

In Article 175, after paragraph (3), paragraphs (4), (5) and (6) are added which read:

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

(5) In the case referred to in paragraph (4) of this Article, supervised entities shall address all their applications, notifications or requests pertaining to the carrying out of supervision to the Croatian National Bank.

(6) Prior to conducting unannounced inspections of business premises, land and transport vehicles, the Croatian National Bank shall request from the High Administrative Court of the Republic of Croatia the order for conducting an unannounced inspection of business premises, land and transport vehicles, documents, deeds and objects found at these premises, as well as for sealing and temporarily seizing objects, especially where there is the danger of hiding or destroying evidence that is necessary to carry out the supervision referred to in Article 175 of this Act and where it can reasonably be assumed that such evidence will be found on a certain premises or with a certain person. Within the meaning of Regulation (EU) No 1024/2013, the Croatian National Bank shall also submit the request for such an order to the High

Administrative Court of the Republic of Croatia when the order is requested by the European Central Bank."

Article 45

In Article 183, paragraph (2) is amended to read:

"(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'). In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks and the Croatian National Bank cooperates with the European Central Bank, staff members of the European Central Bank designated by the European Central Bank may participate as observers in any on-site examination of a significant supervised entity."

Article 46

Article 213 is amended to read:

"The processing of personal data shall be subject to regulations governing the protection of personal data."

Article 47

In Article 214, after paragraph (9), paragraph (10) is added which reads:

"(10) The Croatian National Bank shall notify the European Central Bank of all procedures, decisions and other relevant circumstances material for exercising and performing supervisory powers and tasks by the European Central Bank referred to in Article 4 of Regulation (EU) No 1024/2013 and, in conjunction with this, of all imposed administrative sanctions, legal remedies submitted and the course of the proceedings."

Article 48

In Article 215, paragraph (4), the words 'misdemeanour courts' are replaced by the words 'municipal courts'.

After paragraph (4), new paragraphs (5) and (6) are inserted which read:

"(5) The Croatian National Bank shall publish on its website decisions on each administrative sanction imposed on credit institutions and responsible persons of credit institutions, which have been adopted in the procedure for imposing administrative sanctions. The decisions shall be published without undue delay but after the person on whom the penalty is imposed is informed thereof.

(6) Where an appeal has been lodged against a decision imposing an administrative sanction, the Croatian National Bank shall without delay publish any information on submitted legal remedies and the course of the proceedings."

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

In the former paragraph (7), which becomes paragraph (9), the introductory sentence is amended to read:

"(9) The Croatian National Bank shall publish decisions on penalties and administrative sanctions imposed on credit institutions and responsible persons of credit institutions on an anonymised basis in the following cases:"

The former paragraph (8), which becomes paragraph (10), is amended to read:

"(10) The information referred to in paragraphs (4), (5), (6) and (9) of this Article shall remain on the website for at least five years."

After paragraph (10), paragraphs (11), (12) and (13) are added which read:

"(11) The Croatian National Bank shall act in accordance with the provisions of paragraphs (4) to (10) of this Article even if it has imposed an administrative sanction for the breaches referred to in Article 365 of this Act.

(12) By way of derogation from paragraph (9) of this Article, decisions regarding administrative sanctions imposed by the Croatian National Bank in accordance with the instruction given by the European Central Bank shall be published on an anonymised basis, if the publication would:

- threaten the stability of the financial markets or investigation in pending criminal proceedings;
or

- cause, to the extent this can be determined, disproportionate damage to credit institutions or other persons that have been imposed an administrative sanction by the Croatian National Bank in accordance with the instruction given by the European Central Bank.

(13) By way of derogation from paragraph (5) of this Article, the Croatian National Bank may postpone the publication of the decision on an administrative sanction imposed by it in accordance with the instruction given by the European Central Bank, if it assesses that the circumstances referred to in paragraph (12) of this Article will cease to exist within a reasonable period of time."

Article 49

In Article 216b, after paragraph (11), paragraph (12) is added which reads:

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

Article 50

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

"(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 and to the Single Resolution Board in accordance with Article 30 of Regulation (EU) No 806/2014."

Article 51

In Article 216h, after paragraph (12), paragraph (13) is added which reads:

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

Article 52

In Article 224, paragraph (1), item (29) is amended to read:

"29) order the strengthening of the systems, processes, mechanisms and strategies implemented in accordance with Articles 101 and 113 of this Act;"

Article 53

In Article 235a, paragraph (3) is amended to read:

"(3) In the appeal proceedings against the decision to impose measures referred to in this Article, the competent administrative court may not decide that the appeal has the effect of staying the execution nor issue a temporary measure."

After paragraph (3), paragraphs (4) and (5) are added which read:

"(4) In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises and performs its supervisory powers and tasks, the Croatian National Bank shall, with respect to imposing early intervention measures, cooperate with the European Central Bank. In this case the Croatian National Bank shall decide in accordance with the instructions given by the European Central Bank.

(5) When imposing measures during early intervention in credit institutions for which the Single Resolution Board is directly responsible, the Croatian National Bank shall cooperate with the Single Resolution Board in the manner laid down in Article 13 of Regulation (EU) No 806/2014."

Article 54

In Article 255, paragraph (1) is amended to read:

"(1) The Croatian National Bank as a resolution authority shall adopt a decision to initiate compulsory winding-up proceedings of the credit institution provided the decision granting the authorisation has been revoked."

Article 55

In Article 265, item (2) is amended to read:

"2) if the State Agency for Deposit Insurance and Bank Resolution as a resolution authority rejects the request to open resolution proceedings against a credit institution, submitted by the Croatian National Bank, or if the Single Resolution Board does not adopt a decision to open resolution proceedings; or"

After item (2), the full stop is deleted and item (3) is added which reads:

"3) in the case referred to in Article 18, paragraph (8) of Regulation (EU) No 806/2014."

Article 56

Article 277 is amended to read:

"(1) 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.

(2) In the context of supervision on a consolidated basis when the European Central Bank is the consolidating supervisor, the Croatian National Bank may participate in supervision on a consolidated basis and in a college of supervisors as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank.

(3) When the consolidating supervisor is a supervisory authority from a non-participating Member State in the supervision on a consolidated basis or in a college of supervisors in relation to a significant supervised entity, the Croatian National Bank may participate as observer. The Croatian National Bank shall act in accordance with the instructions given by the European Central Bank."

Article 57

In Article 297, after paragraph (3), paragraph (4) is added which reads:

"(4) The European Central Bank shall assume the task of coordinator of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a significant supervised entity. The Croatian National Bank shall assume the task of coordinator

of a financial conglomerate in accordance with the criteria set out in relevant Union law in relation to a less significant supervised entity."

Article 58

In Article 305, paragraph (8) is amended to read:

"(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, information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes."

Article 59

In Article 306, before the words 'The provisions', a paragraph designation '(1)' is added.

After paragraph (1), paragraphs (2), (3) and (4) are added which read:

"(2) The national reference rate of the average cost of financing the Croatian banking sector (hereinafter referred to as 'NRR') shall be calculated by the Croatian National Bank and published on its website.

(3) The Croatian National Bank shall calculate the NRR based on data available to the Croatian National Bank, collected for regulatory purposes in accordance with Article 162 of this Act.

(4) The Croatian National Bank shall publicly disclose the methodology for the calculation of the NRR and the NRR release calendar on its website."

Article 60

In Article 320, paragraph (2), item (1) is amended to read:

"1) organise the processing and exchange of information on creditworthiness, including personal data, directly or through a separate legal entity, for the purpose of assessing creditworthiness or managing credit risk; and"

Paragraph (3) is deleted.

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

Article 61

Before Article 321, Title XXVIa and its title are inserted which read: 'XXVIa EXCHANGE OF INFORMATION'.

The title of Article 321 is amended to read:

"Exchange of information for the purpose of assessing creditworthiness or managing credit risk"

Article 321 is amended to read:

"(1) The Croatian National Bank may collect information, including personal data, 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 and managing credit risk.

(2) A credit institution with a head office in the Republic of Croatia authorised by the Croatian National Bank and a credit institution, which is authorised under this Act to provide mutually recognised services within the territory of the Republic of Croatia, shall upon request exchange information, including personal data with regard to or in connection with its clients, for the purpose of assessing creditworthiness or managing credit risk with other credit institutions with a head office in the Republic of Croatia authorised by the Croatian National Bank and credit institutions authorised under this Act to provide mutually recognised services within the territory of the Republic of Croatia.

(3) The scope of information and personal data on clients exchanged in accordance with paragraph (2) of this Article shall be limited to the data that are necessary for assessing creditworthiness or managing credit risk and shall contain the following information and data: data required for client's identification (legal personality of the person, name and surname/name, personal identification number (OIB) or, if personal identification number is not available, another identification number, business entity registration number), information on existing and settled or otherwise closed client's obligations (obligation type, total amount of obligation, amount and periodicity of the annuity/instalment, timeliness in meeting obligations, number of past due obligations, their amount and number of days in default). The data and information referred to in this paragraph can be exchanged for the period no longer than four years after the obligation was fully settled or otherwise closed.

(4) The exchange of information and personal data referred to in paragraph (2) of this Article can also be carried out through a legal person that collects and exchanges data between credit and/or financial institutions.

(5) A credit institution cannot refuse to exchange information and personal data referred to in paragraph (3) of this Article due to the different ways of data exchange used by the other credit institution. (6) In the case referred to in paragraph (1) of this Article, the Croatian National Bank shall adopt subordinate legislation to further regulate the methods of and the conditions for collecting information for the purpose of protection against and managing credit risk."

Article 62

After Article 322, Article 322a and its title are inserted which read:

"Application of the provisions of the act governing the general administrative procedure

Article 322a

Unless otherwise provided for in this Act, the provisions of the act governing the general administrative procedure shall apply to an administrative procedure carried out by the Croatian National Bank."

Article 63

In Article 323, before the word 'Decision', a paragraph designation '(1)' is added.

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

"(2) In the appeal proceedings against the decision to appoint a special administration, withdraw authorisation and/or a decision to initiate the compulsory winding-up, the competent administrative court may not decide that the appeal has the effect of staying the execution or issue a temporary measure."

Article 64

After Article 323, Articles 323a and 323b and their titles are inserted which read:

"Right to be heard"

Article 323a

(1) Before adopting a decision in accordance with this Act or Regulation (EU) No 575/2013 that could adversely affect the legal rights of a party, the Croatian National Bank shall, except in cases referred to in Article 179 or Articles 184 to 188 and Title XXIXa of this Act, notify the party of all facts, circumstances and legal issues relevant to the adoption of the decision and invite the party to provide its comments in writing.

(2) The Croatian National Bank shall enclose the draft decision listing the relevant facts, circumstances and legal issues on which the Croatian National Bank intends to base its decision to the notification sent to the party in accordance with paragraph (1) of this Article.

(3) Where the Croatian National Bank deems it appropriate, it may provide the party with the opportunity of commenting on the facts, circumstances and legal issues relevant to the adoption of the decision in an oral hearing.

(4) Where the Croatian National Bank schedules the oral hearing in accordance with paragraph (3) of this Article and the party duly summoned fails to attend the oral hearing without having duly excused itself, the oral hearing may be held without the presence of the summoned party. Where the absence of the party is duly excused, the Croatian National Bank may postpone the oral hearing and schedule a new oral hearing or invite the party to comment on the facts, circumstances and legal issues material to the adoption of the decision in writing.

(5) The Croatian National Bank shall provide the party with a time limit to comment on the notification referred to in paragraph (1) of this Article which may not exceed 10 working days following the receipt of the notification. At the request of the party, the Croatian National Bank may extend the time limit for comments. In exceptional circumstances, the Croatian National Bank may shorten the time limit for comments to three working days.

(6) By way of derogation from paragraphs (4) and (5) of this Article, the Croatian National Bank may, in urgent situations, in order to prevent significant damage to the financial system

as a whole, adopt a temporary decision without providing the party with the opportunity to comment on the facts, circumstances and legal issues material to the adoption of the decision.

(7) In the case referred to in paragraph (6) of this Article, the Croatian National Bank shall make it possible to the party to comment in writing on the facts, circumstances and legal issues material to the adoption of the decision without delay. The time limit for submitting the comments shall be 10 days following the receipt of the decision referred to in paragraph (6) of this Article. Upon party's request, the Croatian National Bank may extend the time limit for comments by maximum six months.

(8) In the case referred to in paragraph (7) of this Article, the Croatian National Bank shall, after expiry of the time limit for party's comments, adopt a decision resolving the administrative matter, taking into account the party's comment on the facts, circumstances and legal issues material to the adoption of the decision. With this decision, the Croatian National Bank shall withdraw the temporary decision referred to in paragraph (6) of this Article.

Access to files

Article 323b

(1) After the Croatian National Bank initiates the supervisory procedure, the party in the procedure shall be entitled to have access to the file. Pursuant to the provisions of this Article, the party against whom the procedure for imposing administrative sanctions has been initiated shall also be entitled to have access to the file.

(2) The file referred to in paragraph (1) of this Article shall consist of all documents obtained, produced or assembled by the Croatian National Bank during the supervisory procedure irrespective of the storage medium.

(3) Access to the file shall be granted to the party by means of an electronic data storage device including any that may become available in the future or through copies of the accessible files in paper form sent to the party by mail or by inviting the party to examine accessible files in the offices of the Croatian National Bank.

(4) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to confidential information of which the Croatian National Bank becomes aware in the course of supervision or other activities within its competence or of which the Croatian National Bank becomes aware in the course of exchange of information with other supervisory authorities in the Republic of Croatia or abroad.

(5) By way of derogation from paragraph (1) of this Article, the right of access to the file shall not extend to information that constitute business or professional secrets of legal or natural persons that are not parties to the procedure.

(6) Enabling access to the file to a party in the procedure shall not affect the right of the Croatian National Bank to disclose or use information necessary to prove a breach."

Article 65

Article 327 is amended to read:

"(1) The Croatian National Bank must decide on:

- 1) an application for authorisation and all other applications referred to in Articles 60, 62 and 66 of this Act within six months of receipt of a valid application;
- 2) an application for prior approval referred to in Articles 39, 40 and 46 and of this Act within three months of receipt of a valid application; and
- 3) an application for authorisation referred to in Article 63 of this Act within six months of receipt of a valid application.

(2) The time limit for adopting a decision and for the notification on the decision referred to in paragraph (1), items (1) and (3) of this Article shall not exceed 12 months of the day of receipt of the application."

Article 66

After Article 359, Title XXIXa and its title and Articles 359a to 359s and their titles are inserted which read:

"XXIXa PROCEDURE FOR IMPOSING PERIODIC PENALTY PAYMENTS AND ADMINISTRATIVE SANCTIONS

Competence for carrying out the procedure for imposing administrative sanctions Article 359a

The Croatian National Bank shall be competent for establishing breaches, for carrying out of the procedure for imposing administrative sanctions and for imposing administrative sanctions on legal persons and responsible persons for breaches referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act (hereinafter referred to as 'administrative sanctions procedure').

Administrative sanctions Article 359b

(1) The Croatian National Bank shall impose administrative sanctions aimed at sanctioning the perpetrators for breaches set out in this Act in the amount proportionate to the circumstances under which the breach was committed and appropriate to deter the perpetrator and other persons from such breaches in the future.

(2) Administrative sanctions shall include fines, periodic penalty payments and warnings.

(3) When imposing administrative sanctions referred to in paragraph (2) of this Article, the Croatian National Bank may order the perpetrator to cease the activity and to desist from repeating the breach.

Persons authorised to carry out the administrative sanctions procedure
Article 359c

(1) The 'administrative sanctions procedure' means an administrative procedure carried out by the Croatian National Bank.

(2) Only persons who, in the preceding two years, have not participated in the supervision of the party against whom the administrative sanctions procedure has been initiated (hereinafter referred to as 'party against whom the procedure has been initiated') may participate in the administrative sanctions procedure.

XXIXa.1 COURSE OF THE PROCEDURE
Basis for initiating the procedure for establishing breaches
Article 359d

(1) Upon the completion of the supervisory procedure and based on the report on examination findings referred to in Article 190 of this Act and all accompanying documentation, the Croatian National Bank shall previously examine the facts, circumstances and legal qualifications which might raise the grounds for administrative sanctions for breaches referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act.

(2) Within the meaning of this Act, the breach is insignificant if the degree of violation of the provisions referred to in Articles 360, 361, 362, 363, 364 and 365 of this Act is insignificant and there is no need to impose an administrative sanction on the perpetrator.

Decision regarding the initiation of the administrative sanctions procedure
Article 359e

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

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

1. case file reference;
2. description of the facts or circumstances leading to the initiation of an administrative sanctions procedure (breach description);
3. legal grounds on the basis of which and in conjunction with which an administrative sanctions procedure has been initiated;
4. invitation to the party against whom the procedure has been initiated to comment on all the facts, circumstances and legal issues relevant for deciding;

5. invitation to the party against whom the procedure has been initiated to submit data and documentation relevant for establishing the facts;
6. invitation to the party against whom the procedure has been initiated to comment on its financial standing;
7. invitation to the party against whom the procedure has been initiated to specify all the facts and circumstances which might affect the type and amount of the administrative sanction (mitigating and aggravating circumstances); and
8. invitation to the party against whom the procedure has been initiated to disclose other evidence.

(3) The Croatian National Bank shall be authorised to collect and process the personal data necessary to carry out the administrative sanctions procedure.

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

(5) The administrative sanctions procedure shall be deemed to have been initiated on the date of adoption of the decision regarding the initiation of the procedure.

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

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

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

Investigation procedure
Article 359f

(1) For the purpose of establishing all the facts and circumstances relevant for deciding on the imposition of administrative sanctions, the Croatian National Bank shall carry out an investigation procedure.

(2) When carrying out an investigation procedure, the Croatian National Bank has the powers referred to in Article 179 and Articles 184 to 187 of this Act.

(3) When carrying out an investigation procedure, the Croatian National Bank may use any documentation and information obtained in the supervisory procedure of the credit institution and, where it deems it necessary, the documentation of other competent authorities collected within their supervisory powers or of other bodies, collected within their statutory powers.

(4) Where the party against whom the procedure has been initiated obstructs the investigation procedure, the Croatian National Bank shall fine a natural person and the responsible person of a legal person, and a legal person up to twice the amount of the profits obtained or the losses avoided or up to HRK 3,750,000.00. The appeal against the decision on the fine shall not delay the execution of the decision.

(5) The Croatian National Bank shall inform the party against whom the procedure has been initiated of the consequences of obstructing the investigation procedure referred to in paragraph (4) of this Article in the invitation to conduct the investigation.

Oral hearing
Article 359g

In the administrative sanctions procedures carried out by the Croatian National Bank pursuant to this Act, an oral hearing may be held which excludes the public.

Findings on the established factual situation
Article 359h

(1) Upon the completion of an investigation procedure, the Croatian National Bank shall draw up the findings on the established factual situation, which shall contain:

- 1) the established factual situation;
- 2) the provision of this Act pursuant to which and in relation to which a breach has been established; and
- 3) the type and amount of administrative sanctions and mitigating and aggravating circumstances taken into account when determining the type and amount of the administrative sanction.

(2) Where it is determined in the course of the procedure that there are no grounds for administrative sanctions, the Governor of the Croatian National Bank may adopt a decision to suspend the procedure. The decision to suspend the procedure shall be without delay submitted to the party against whom the procedure has been initiated.

(3) The Croatian National Bank shall submit the findings referred to in paragraph (1) of this Article based on which the breach was established to the party against whom the procedure has been initiated and invite this party to provide its comments within a time limit which may not be shorter than eight days or longer than 30 days of the receipt of the findings.

(4) The party against whom the procedure has been initiated may in the comments on the findings referred to in paragraph (3) of this Article present new facts and related evidence, only

where the party proves that it was not aware or that it could not have been aware of the relevant facts and evidence when providing its previous comments in the course of this procedure.

(5) Where in the case referred to in paragraph (4) of this Article the Croatian National Bank deems that new facts and evidence are relevant for establishing the factual situation, it shall carry out an investigation procedure in relation to these facts and evidence, and draw up new findings on the established factual situation.

(6) Until the completion of the procedure, the Croatian National Bank may amend the findings referred to in paragraph (1) of this Article in part of the type and amount of the administrative sanction, of which it shall draw up new findings on the established factual situation and submit it to the party for its comments in accordance with paragraph (3) of this Article.

Criteria for imposing administrative sanctions

Article 359i

(1) When imposing administrative sanctions, the Croatian National Bank shall take into account all circumstances affecting the type and amount of the administrative sanction, in particular the mitigating and aggravating circumstances such as:

- the seriousness, repetition, frequency or duration of the breach;
- the degree of liability of the party against whom the procedure has been initiated;
- the financial soundness of the party against whom the procedure has been initiated;
- the profits obtained or the losses avoided by the party against whom the procedure has been initiated, if ascertainable;
- the losses sustained by third parties due to the committed breaches, if ascertainable;
- the degree of cooperation shown by the party against whom the procedure has been initiated;
- the behaviour by the party against whom the procedure has been initiated after the breach;
- prior breaches by the party against whom the procedure has been initiated; and
- the consequences of such breaches for the stability of the financial system and consumers.

2) Breaches for profit that resulted in material gain for the party against whom the procedure has been initiated may be punished more strictly, up to twice the prescribed fine for the breach in question.

Competence for adopting the decision on administrative sanctions

Article 359j

(1) The decision on administrative sanctions shall be adopted by the Council of the Croatian National Bank.

(2) The Croatian National Bank shall submit the decision on administrative sanctions to the perpetrator of the breach within eight working days of the adoption of the decision by the Council of the Croatian National Bank.

Administrative dispute/Judicial protection

Article 359k

- (1) An appeal against the decision of the Croatian National Bank on administrative sanctions shall stay the execution of the decision on administrative sanctions.
- (2) Any dispute initiated before the administrative court against the decision on administrative sanctions shall be urgent.
- (3) The Administrative Court in Zagreb shall have exclusive territorial jurisdiction over the proceedings initiated against the decision of the Croatian National Bank on administrative sanctions.
- (4) The public shall be excluded from hearings in administrative disputes.

Execution of fines Article 359l

- (1) The decision of the Croatian National Bank to impose a fine pursuant to this Act shall specify the time limit and method for payment of the imposed fine. The time limit may not be shorter than eight days or longer than three months of the date when the decision on administrative sanctions or the court decision becomes enforceable.
- (2) A fine shall be paid upon the enforceability of the decision of the Croatian National Bank if no appeal was filed or upon the enforceability of the court decision. The Croatian National Bank may conclude an administrative agreement with the party for the purpose of enforcing the decision referred to in paragraph (1) of this Article.
- (3) The fines imposed by the decision on administrative sanctions shall be revenues of the state budget.
- (4) Where the perpetrator of the breach fails to pay the fine within the set time limit, the Croatian National Bank shall submit to the authority competent for enforcement over monetary assets an order for enforcing the payment of the fine pursuant to a special law. The fines whose payment is enforced at the request of the Croatian National Bank shall be credited directly to the state budget.

Limitation periods for imposing administrative sanctions Article 359m

- (1) The administrative sanctions procedure may not be initiated after the expiry of the time limit of five years of the date when the breach occurred. The breach shall be considered to have occurred when the perpetrator was working or was required to work, irrespective of the time when the consequence of the breach occurred.

(2) Where the perpetrator's activity consists of several separate actions which did not take place at the same time, the breach shall be considered to have been committed on the date of the last action, and in case of ongoing breaches, on the date of termination of the last action.

(3) The limitation period referred to in paragraph (1) of this Article shall be interrupted with each action taken by the Croatian National Bank for the purpose of establishing breaches and imposing respective administrative sanctions. The interruption of the limitation period shall begin to run from the date when the party was notified of the action taken by the Croatian National Bank.

(4) Each interruption shall cause the limitation period to begin to run afresh; however, the limitation period shall expire at the latest on the day on which a period equal to twice the duration of the period referred to in paragraph (1) of this Article has elapsed without the Croatian National Bank having imposed administrative sanctions.

(5) The limitation period for imposing administrative sanctions referred to in the previous paragraph shall not run:

- for the duration of the proceedings initiated before the administrative court against the decision of the Croatian National Bank on administrative sanctions; and
- for the duration of criminal proceedings against the party in connection with the same facts.

Limitation periods for the execution of fines

Article 359n

(1) A fine imposed pursuant to this Act shall not be executed if a time limit of five years expires from the date of the enforceability of the decision of the Croatian National Bank on administrative sanctions and/or the enforceability of a court decision. The limitation period shall begin to run from the date when the party duly receives the enforceable court decision or, in cases where the party did not appeal against the decision, from the date of the enforceability of the decision of the Croatian National Bank on administrative sanctions.

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

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

- during the time allowed to pay the fine imposed; or
- upon each action taken by the Croatian National Bank to execute the fine.

Records of imposed administrative sanctions

Article 359o

(1) Pursuant to this Act, the Croatian National Bank shall keep records of imposed administrative sanctions.

(2) Data from the records of imposed administrative sanctions may be provided pursuant to a written reasoned request to:

- courts;

- government administration bodies holding misdemeanour proceedings;
- competent authorities exercising their powers;
- government bodies – authorised prosecutors in cases of misdemeanour proceedings against the perpetrator of the breach in relation to which the data is sought;
- government bodies in cases related to delegating certain duties and tasks in the government service or when this is required for the exercise of certain rights of the person for whom the data is requested with the government administration or local and regional authorities in administrative procedures within their competence; and
- internal affairs authorities for the purpose of finding misdemeanour perpetrators.

(3) Every person has the right to request for him or herself the data from the records of imposed administrative sanctions.

(4) Upon the expiry of the period of five years of the date when the decision on administrative sanctions or a court decision became final, the Croatian National Bank shall remove the data on imposed administrative sanctions from the records of imposed administrative sanctions.

Warnings
Article 359p

'Warnings' means administrative sanctions that the Croatian National Bank may impose on the perpetrator for breaches set out in this Act if the breach in question is exceptionally light and when given all the circumstances pertaining to the perpetrator, the conditions for achieving the purpose of the sanctions are met without imposing a fine.

Periodic penalty payments
Article 359r

(1) The Croatian National Bank may impose periodic penalty payments on credit institutions in the event of a continuing breach of this Act and the subordinate regulation adopted pursuant to this Act, EU regulations or decisions adopted pursuant to this Act or decisions adopted by the Croatian National Bank pursuant to the instructions given by the European Central Bank.

(2) The Croatian National Bank may impose periodic penalty payments when the breach is still ongoing with an aim to force the credit institution to comply with the requirement that is being breached.

(3) Periodic penalty payments shall be effective and proportionate, up to the upper limit of 5% of the average daily income per each day of the breach.

(4) Periodic penalty payments shall be calculated for each day of the breach until the credit institution complies with the regulation or the relevant decision by the Croatian National Bank.

(5) In the decision on the imposition of periodic penalty payments the Croatian National Bank shall specify the date on which periodic penalty payments shall begin to run and the relevant period for their application, which may not be longer than six months.

(6) After notifying the credit institution or upon the expiry of the period referred to in paragraph (5) of this Article, the Croatian National Bank shall adopt a decision specifying the date of the termination of the breach or expiry of the period, determining the total amount of periodic penalty payments for each day of the breach and the period in which the credit institution is required to pay the said amount.

7) The procedure referred to in Title XXVII of this Act, except for Article 323a, paragraph (6) of this Act, shall apply *mutatis mutandis* to the imposition of periodic penalty payments referred to in this Article.

XXIXa.2 APPLICATION OF THE PROVISIONS OF THIS TITLE TO PROCEDURES CARRIED OUT IN CLOSE COOPERATION

Procedure of the Croatian National Bank in close cooperation when imposing administrative sanctions
Article 359s

In the case referred to in Article 11a of this Act, whenever the European Central Bank exercises its powers, the Croatian National Bank shall cooperate with the European Central Bank in the administrative sanctions procedure. The Croatian National Bank shall comply with the instructions given by the European Central Bank."

Article 67

Before Article 360, the title of Title XXX is amended to read: 'PENALTY PROVISIONS AND BREACHES OF REGULATIONS'.

The title of Article 360 is amended to read: '*Breaches by credit institutions*'.

In Article 360, paragraph (1), the introductory sentence is amended to read:

"A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income:".

Item (15) is amended to read:

"15) if it contracts the payment of variable remuneration contrary to Article 100 of this Act or if it sets the ratio between the variable and fixed components of total remuneration contrary to Article 100a of this Act or if it uses instruments in which variable remuneration may be awarded contrary to Article 100b of this Act;".

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

"42a) if it fails to undertake measures set out in Article 144a of this Act or if it acts contrary to subordinate legislation adopted under Article 144a of this Act;"

In item (86), the word 'and' is deleted.

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

"86a) if it does not exchange the information in line with the provisions of Article 321 paragraphs (2) to (5) of this Act;"

After item (87), the full stop is deleted and items (88), (89) and (90) are added which read:

"88) if it acts contrary to legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013 which are directly applicable in the Republic of Croatia in accordance with Article 11a, paragraph (2) of this Act;

89) if it acts contrary to the decision of the Croatian National Bank, adopted by the Croatian National Bank in close cooperation pursuant to instructions, general guidelines, requests or measures of the European Central Bank; and

90) if it exceeds the limits on exposures under Article 145a of this Act."

Paragraphs (2) to (5) are amended to read:

"(2) A responsible person of the management board of a credit institution shall be fined up to HRK 100,000.00 for breaches referred to in paragraph (1) of this Article.

(3) A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or 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 of the Croatian National Bank or if, contrary to Article 40, paragraph (1) of this Act, it appoints a chairperson of the management board without prior approval of the Croatian National Bank.

(4) A responsible person of the supervisory board of the credit institution shall be fined up to HRK 100,000.00 for breaches referred to in paragraph (3) of this Article.

(5) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to HRK 30,000.00 for breaches referred to in paragraph (1) of this Article."

Paragraphs (6), (7), (8) and (9) are deleted.

Article 68

The title of Article 361 is amended to read: '*Other breaches by credit institutions*'.

In Article 361, paragraph (1), the introductory sentence is amended to read:

"A credit institution shall be fined up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income:".

Item 12 is deleted.

The former items (13) to (18) become items (12) to (17).
The former items (19) to (28) are deleted.

The former items (29) to (39) become items (18) to (28).

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

"(2) A responsible person of the management or supervisory board of a credit institution shall be fined up to HRK 20,000.00 for breaches referred to in paragraph (1) of this Article.

(3) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to HRK 20,000.00 for breaches referred to in paragraph (1) of this Article."

Paragraphs (4), (5) and (6) are deleted.

Article 69

After Article 361a, Article 361b and its title are inserted which read:

"Misdemeanours due to breaches of provisions on consumer protection Article 361b

(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 general service information is not clear and understandable, which is contrary to Article 301, paragraph (1) of this Act;

2) if general service information is not available in the Croatian language, which is contrary to Article 301, paragraph (1) of this Act;

3) if general service information is not available in writing, which is contrary to Article 301, paragraph (1) of this Act;

4) if general service information is not available in an appropriate place in its business premises where it provides services to consumers, which is contrary to Article 301, paragraph (1) of this Act;

5) if it 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) and fails to include in its general service information the name of the benchmark and benchmark administrators and the potential implications for the consumer, which is contrary to Article 301, paragraph (2) of this Act;

6) 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 of the contract 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;

7) if before concluding a contract on the provision of banking or financial services it fails to provide the consumer with personalised information, or if this information fails to include at least the information prescribed by the law governing consumer credit, housing consumer credit and other regulations governing particular banking and financial services, which is contrary to Article 302, paragraph (2) of this Act;

8) 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 the 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;

9) 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, or if it fails to provide this free of charge, which is contrary to Article 302, paragraph (4) of this Act;

10) 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 of other bylaws of the credit institution that may impact the financial position of the consumer and with 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;

11) 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 (6) of this Act;

12) if it fails to disclose to consumers its general operating conditions in the Croatian language, which is contrary to Article 303, paragraph (1) of this Act;

13) if it fails to disclose to consumers its general operating conditions in an appropriate place in its business premises where it provides services to consumers, which is contrary to Article 303, paragraph (1) of this Act;

14) if it fails to disclose amendments to its general operating conditions in the manner referred to in Article 303, paragraphs (1) and (2) of this Act or if it fails to disclose amendments to its general operating conditions at least 15 days before their entry into force, which is contrary to Article 303, paragraph (3) of this Act;

15) if it acts contrary to subordinate legislation adopted under Article 304 of this Act;

16) if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits in an agreed upon manner, or if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits on an annual basis at a minimum, or if it fails to notify the consumer, co-debtor or guarantor of the amount of their credits free of charge, which is contrary to Article 305, paragraph (1) of this Act;

17) if it fails to notify consumers of the amount of their deposits in an agreed upon manner, or if it fails to notify consumers of the amount of their deposits on an annual basis at a minimum, or if it fails to notify consumers of the amount of their deposits free of charge, which is contrary to Article 305, paragraph (1) of this Act;

18) if it fails to include in the notification on the amount of credit referred to in Article 305, paragraph (1) of this Act 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 or the warning of a pending cancellation of the credit, which is contrary to Article 305, paragraph (1) of this Act;

19) if it fails to deliver the notification on the amount of credit up to the moment of the initiation of the judicial debt recovery proceedings, which is contrary to Article 305, paragraph (1) of this Act;

20) if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or guarantor of the total amount and structure of debt broken down by the following items: principal, interest, charges and fees and other costs or if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or 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, which is contrary to Article 305, paragraph (2) of this Act;

21) if, at the moment of credit cancellation, it fails to notify the credit user, co-debtor or guarantor of the justification for the items for which collection is sought or if it fails to specify the items that can be increased and the interest rate at which they can be increased, or if it fails to notify the credit user, co-debtor or guarantor free of charge of 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, which is contrary to Article 305, paragraph (2) of this Act;

22) if, 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, it fails to notify the co-debtor, pledgor or guarantor of the debt balance outstanding,

or if it fails to provide the co-debtor, pledgor or guarantor with a period of 15 days of the date of the notification on the debt balance outstanding, sent via registered mail, to settle the obligation in cash, which is contrary to Article 305, paragraph (3) of this Act;

23) if it fails to notify the consumer of variable interest rate changes, where variable interest rates have been contracted, in an agreed upon manner at least 15 days before their application or, where interest rates have changed, if it fails to present and explain to the consumer in the same notification the changes of parameters that caused the change in interest rates and, in case of credit contracts, if it fails to provide the consumer with the amended loan amortisation schedule, which is contrary to Article 305, paragraph (4) of this Act;

24) if, where the interest rate in a credit contract changes upwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to Article 305, paragraph (5) of this Act;

25) if, where the interest rate in a deposit contract changes downwards, it applies the changed interest rate without notifying the consumer thereof in the manner agreed upon at least 15 days prior to the change, which is contrary to Article 305, paragraph (6) of this Act;

26) if it fails to 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 and information on the total amount of principal repaid, interest and expenses, a breakdown of repayments and an overview of interest rate changes, which is contrary to Article 305, paragraph (8) of this Act;

27) if it fails to notify the consumer at the latest within 15 days of the date of loan repayment in full, free of charge and in an agreed upon manner, of the loan repayment in full or if it fails to notify 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, if it fails to notify the consumer of the rights of such persons and further conditions to obtain the statement of release, or if it fails to notify the consumer on the manner in which to retrieve all other instruments of collateral of the repaid loan or if it fails to notify in the same manner all third persons (guarantors, co-debtors, pledgors, etc.) who have repaid the loan in part or in full, which is contrary to Article 305, paragraph (9) of this Act;

28) if it fails to apply the provisions of the law governing consumer lending that govern variable interest rate on credit contracts regardless of the total amount and the type of credit granted to a consumer by the credit institution, which is contrary to Article 306 paragraph (1) of this Act;

29) 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 in a clear and unambiguous manner 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;

30) 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;

31) if it contracts promotional interest rates on services other than short-term and thereby acts contrary to the provision of Article 307, paragraph (3) of this Act;

32) if it charges 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, which is contrary to Article 308, paragraph (1) of this Act;

33) 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;

34) 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;

35) if it fails to deliver 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.

(2) A responsible person of the management board 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 not identified as 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 board or supervisory board of a credit institution not identified as 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 in the operation of the branch 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 municipal court or another authority with jurisdiction *ratione materiae* a decision identifying 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 committed."

Article 70

The title of Article 362 is amended to read: '*Breaches by savings banks*'.

In Article 362, paragraph (1), the introductory sentence is amended to read:

"A savings bank shall be fined up to 10% of total income:".

Paragraph (2) is amended to read:

"(2) A responsible person of the savings bank's management board shall be fined up to HRK 20,000.00 for breaches referred to in paragraph (1) of this Article."

Article 71

The title of Article 363 is amended to read: '*Other breaches by the management and supervisory board*'.

In Article 363, paragraph (1), the introductory sentence is amended to read:

"Members of a credit institution's management board shall be fined up to HRK 20,000.00:".

In paragraph (2), the introductory sentence is amended to read:

"Members of a credit institution's supervisory board shall be fined up to HRK 20,000.00:".

Article 72

The title of Article 364 is amended to read:

"Breaches by other persons"

Article 364 is amended to read:

"(1) 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 provision 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, paragraph (1) or (2) of this Act shall be fined up to 10% of total income.

(2) A responsible person of the legal person shall be fined up to HRK 100,000.00 for the breach referred to in paragraph (1) of this Article.

(3) 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 provision 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, paragraph (1) or (2) of this Act shall be fined up to HRK 100,000.00.

(4) A legal person who is a shareholder of a credit institution and who fails to act in accordance with the provision of Article 24, paragraph (15) or (17) of this Act shall be fined up to 10% of total income.

(5) A responsible person of the legal person shall be fined up to HRK 100,000.00 for the breach referred to in paragraph (4) of this Article.

(6) 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 (15) or (17) of this Act shall be fined up to HRK 100,000.00.

(7) A legal 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 up to 10% of total income.

(8) A responsible person of the legal person shall be fined up to HRK 100,000.00 for the breach referred to in paragraph (7) of this Article.

(9) 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 up to HRK 100,000.00.

(10) 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 up to 3% of total income.

(11) A responsible person of the legal person shall be fined up to HRK 50,000.00 for the breach referred to in paragraph (10) of this Article.

(12) 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 up to HRK 50,000.00.

(13) The legal persons referred to in Article 179, paragraph (2) of this Act who fail to comply with the request of the Croatian National Bank pursuant to Article 179, paragraph (3) of this Act shall be fined up to 10% of total income.

(14) A responsible person of the legal person shall be fined up to HRK 50,000.00 for the breach referred to in paragraph (13) of this Article.

(15) The natural persons referred to in Article 179, paragraph (2) of this Act who fail to comply with the request of the Croatian National Bank pursuant to Article 179, paragraph (3) of this Act shall be fined up to HRK 50,000.00."

Article 73

After Article 364, Article 364a and its title are inserted which read:

"Misdemeanours by other persons
Article 364a

(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, Article 313, paragraphs (3) and (4) and Article 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."

Article 74

The title of Article 365 is amended to read: '*Breaches by members of a group of credit institutions*'.

In Article 365, paragraph (1), the introductory sentence is amended to read:

"(1) A fine of up to twice the amount of the profits obtained or the losses avoided or up to 10% of total income shall be imposed on:".

In item (10), the word 'or' at the end of the sentence is deleted.

After item (11), the full stop is deleted and items (12) and (13) are added which read:

"12) a mixed financial holding company or financial holding company if it acts contrary to the legal acts adopted by the European Central Bank pursuant to Regulation (EU) No 1024/2013, which are directly applicable in the Republic of Croatia pursuant to Article 11a, paragraph (2) of this Act;

13) a mixed financial holding company or financial holding company if it acts contrary to the decision of the Croatian National Bank adopted by the Croatian National Bank in close cooperation in accordance with the instructions, general guidelines, requests or measures of the European Central Bank."

Paragraph (2) is amended to read:

"(2) A responsible person of the management board of the legal person shall be fined up to HRK 100,000.00 for breaches referred to in paragraph (1) of this Article."

Article 75

In Article 367, paragraph (1), the words 'Article 157, paragraph (1), (2), (5) or (6) of this Act' are replaced by the words 'Article 157, paragraph (1), (2), or (5) of this Act'.

In paragraph (3), the words 'Article 157, paragraphs (1) and (6) of this Act' are replaced by the words 'Article 157, paragraphs (1) and (5) of this Act'.

In paragraph (4), the words 'Article 157, paragraphs (1) and (6) of this Act' are replaced by the words: 'Article 157, paragraphs (1) and (5) of this Act'.

TRANSITIONAL AND FINAL PROVISIONS

Completion of misdemeanour proceedings

Article 76

(1) Misdemeanour proceedings initiated before the entry into force of Article 66 of this Act shall be completed pursuant to the provisions of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019).

(2) Misdemeanours committed up to the date of the entry into force of Article 66 of this Act shall be subject to the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019).

(3) 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.

Exchange of information for the purpose of assessing creditworthiness and managing credit risk

Article 77

(1) Article 321, paragraphs (2) to (5) as amended by Article 61 of this Act shall apply to information and personal data available to the credit institution referred to in Article 321, paragraph (2) as amended by Article 61 of this Act on the date of the entry into force of this Act.

(2) The credit institutions referred to in Article 321, paragraph (2) as amended by Article 61 of this Act shall within three months of the entry into force of this Act undertake all preparations for the exchange of information in accordance with Article 61 of this Act.

Beginning of the calculation and publication of the national reference rate
Article 78

The Croatian National Bank shall calculate the NRR starting from the NRR for the first quarter of 2020 and shall publish the NRR for the first time on its website in May 2020 in accordance with the established release calendar.

Entry into force
Article 79

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 1 of this Act, Articles 6 to 11 of this Act, Article 39, paragraphs (14) and (15) as amended by Article 13 of this Act, Article 14 of this Act, Article 44, paragraph (8) as amended by Article 15 of this Act, Article 46, paragraphs (12) and (13) as amended by Article (17) of this Act, Article 47, paragraph (5) as amended by Article 18 of this Act, Articles 19 to 22 of this Act, Article 68, paragraph (3) as amended by Article 23 of this Act, Article 24 of this Act, Article 70, paragraph (7) as amended by Article 25 of this Act, Articles 26 and 27 of this Act, Articles 34 to 38 of this Act, Article 41 of this Act, Article 157, paragraph (3), item (25) as amended by Article 42 of this Act, Articles 43, 44, 45 and 47 of this Act, Articles 48 to 51 of this Act, Article 235a, paragraphs (4) and (5) as amended by Article 53 of this Act, Articles 54 to 57 of this Act, Article 64 of this Act, Articles 66 to 74 of this Act, which shall enter into force on the date of implementation of the close cooperation between the European Central Bank and the Croatian National Bank in accordance with a decision adopted by the European Central Bank on the establishment of a close cooperation referred to in Article 7, paragraph (2) of Council Regulation (EU) No 1024/2013, which shall be published in the Official Journal of the European Union.

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Zagreb, 7 April 2020

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

