

Pursuant to Article 175, paragraph (3) of the Credit Institutions Act (Official Gazette 159/2013) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

## **Decision**

### **on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures**

#### **Article 1**

In the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures (Official Gazette 23/2014) paragraph (2) is amended to read:

"(2) The provisions of this Decision shall apply to supervision of credit institutions on an individual basis, sub-consolidated basis for a group of credit institutions in the Republic of Croatia and on a consolidated basis when the Croatian National Bank is the consolidating supervisor."

Paragraph (6) is amended to read:

"(6) This Decision shall determine in detail the activities of the Croatian National Bank in case of receipt of a request to carry out an on-site examination to verify the information in accordance with Articles 295 and 298 of the Credit Institutions Act."

#### **Article 2**

In Article (4), paragraphs (3) and (4) are added, which read:

"(3) The Croatian National Bank shall, for the purpose of introduction and use of the approach for which a permission referred to in Article 143, paragraph (1), Article 151, paragraphs (4) and (9), Article 283, Article 312, paragraph (2) and Article 363 of Regulation (EU) No 575/2013 is required, carry out:

- (a) prevalidation which includes the examination procedures preceding the application for permission; and
- (b) validation which includes examination procedures after the application for permission.

(4) The Croatian National Bank shall carry out on-site examination of undertakings referred to in Article 295 of the Credit Institutions Act in the manner prescribed by paragraph (2), item (1) of the same Article and of undertakings referred to in Article 298 of the Credit Institutions Act to verify the information, in cooperation with other competent authorities."

### **Article 3**

After Article 7, Article 7.a is added which reads:

#### **"Article 7.a**

(1) The on-site examination of undertakings referred to in Article 295 in the manner prescribed by paragraph (2), item (2) of the same Article and Article 298, paragraph (1) of the Credit Institutions Act may be carried out by authorised persons of the competent authorities of other Member States or competent authorities of third countries based on a written approval of the Governor of the Croatian National Bank given under bilateral memoranda of understanding concluded between the Croatian National Bank and the competent authorities of other Member States or competent authorities of third countries.

(2) The written approval referred to in paragraph (1) of this Article shall indicate the names of the persons that will carry out the on-site examination, the beginning and duration of on-site examination, the purpose and the scope of on-site examination of undertakings referred to in Article 295, paragraph (1) and Article 298, paragraph (1) of the Credit Institutions Act.

(3) The agreements referred to in Article 287, paragraph (1) and Article 298, paragraph (1) may include actions and procedures for independent carrying out of on-site examinations by a competent authority of another Member State or a competent authority of a third country.

(4) In the case referred to in Article 295, paragraph (2), items (2) and (3) of the Credit Institutions Act, a Croatian National Bank employee may participate in an on-site examination based on an approval referred to in paragraph (1) of this Article.

(5) A Croatian National Bank employee shall, in the case referred to in paragraph (4) of this Article draw up an on-site examination report and submit it to undertakings referred to in paragraph (1) of this Article at the latest within 6 months from the date of completion of the on-site examination.

(6) The report referred to in paragraph (5) of this Article shall be drawn up by a Croatian National Bank employee based on on-site examination findings obtained from the competent authority from another Member state or the competent authority of a third country.

(7) The authorisation referred to in Article 295, paragraph (3) of the Credit Institutions Act shall indicate the names of the persons that will carry out the on-site examination, the beginning and duration of the on-site examination, the purpose and the scope of the on-site examination of undertakings referred to in Article 295, paragraph (1) and Article 298, paragraph (1) of the Credit Institutions Act.

(8) Within reasonable time, upon completion of an on-site examination, the Croatian National Bank shall, in cooperation with competent authorities from other Member States or competent authorities from a third country, exchange written information relating to the findings of the on-

site examination of undertakings referred to in Articles 295 and 298 of the Credit Institutions Act."

#### **Article 4**

After Article 8, Article 8.a is added which reads:

#### **"Article 8.a**

(1) For the purposes of Article 4, paragraph (3) of this Decision, the Croatian National Bank shall carry out ongoing examination of credit institutions.

(2) The authorisation referred to in paragraph (1) of this Article shall be issued separately for prevalidation and validation procedures referred to in Article 4, paragraph (3) of this Decision for a maximum period of one year.

(3) During ongoing examination referred to in paragraph (1) of this Article, the authorised persons of the Croatian National Bank shall draw up a report on preliminary findings and submit it to the credit institution and, where necessary, to other supervisors included in the procedure.

(4) At the latest following the completion of the procedure referred to in Article 4, paragraph (3) item a), the authorised persons of the Croatian National Bank shall draw up a report within 15 working days and submit it to:

- 1) the chairperson of the credit institution's management board; and
- 2) the chairperson of the credit institution's supervisory board.

(5) At the latest until completion of the procedure referred to in Article 4 paragraph (3), item b), the authorised persons of the Croatian National Bank shall draw up a report in the manner and within the time limits prescribed by Articles 11, 12 and 14 of this Decision."

#### **Article 5**

In Article 11, paragraph (5) is added which reads:

"(5) By way of derogation from paragraph (1) of this Article, when the Croatian National Bank carries out the on-site examination referred to in Article 4, paragraph (4) of this Decision, the authorised persons shall draw up a report on on-site examination findings within 8 working days from the day of consulting with the other competent authority regarding the findings, and at the latest within 6 months from the date of completion of the on-site examination on the premises of the credit institution."

## **Article 6**

After Article 17, chapter VIII.A and Articles 17.a, 17.b, 17.c, 17.d and 17.e are added which read:

### **"VIII.A SUPERVISORY REVIEW AND EVALUATION PROCESS**

#### **Article 17.a**

(1) In carrying out supervision, the Croatian National Bank shall determine own funds and liquidity of credit institutions in accordance with Article 180 of the Credit Institutions Act.

(2) The supervision referred to in paragraph (1) of this Article may be:

- 1) the supervision on an individual and/or consolidated basis which does not require the establishment of a college of supervisors in accordance with Article 283 of the Credit Institutions Act;
- 2) the supervision on a consolidated basis which does not require the establishment of a college of supervisors in accordance with Article 284 of the Credit Institutions Act;
- 3) the supervision on a consolidated basis when the Croatian National Bank participates in the process of reaching a joint decision of the college of supervisors in accordance with Article 285 of the Credit Institutions Act;
- 4) the supervision on a consolidated basis when the Croatian National Bank does not participate in the process of reaching a joint decision of the college of supervisors in accordance with Article 285 of the Credit Institutions Act.

#### **Article 17.b**

(1) For the purposes of supervision referred to in Article 17.a, paragraph (2), item (1) of this Decision, the Croatian National Bank shall draw up a report on the risk assessment of the credit institution or a group of credit institutions in the Republic of Croatia and deliver it to:

- 1) the chairperson of the management board of the credit institution or the parent credit institution; and
- 2) the chairperson of the supervisory board of the credit institution or the parent credit institution; and

(2) The credit institution or the parent credit institution may raise objections as regards the findings of the report referred to in paragraph (1) of this Article within a time limit laid down by the Croatian National Bank, which may not be shorter than 5 working days or longer than 10 working days from the day of receipt of the report.

(3) The Croatian National Bank and the credit institution or the parent credit institution shall consult each other to the greatest extent possible about the required own funds and liquidity of the credit institution and the Croatian National Bank shall draw up a report on that. The report shall be drawn up within 8 working days from the day of receipt of objections to the report referred to in paragraph (1) of this Article, at the latest until 30 October of the current year for

balance as at 31 December of the previous year. The report shall be submitted to the persons referred to in paragraph (1) of this Article.

(4) The provisions of Articles 11, 12, 13 and 14 shall apply, *mutatis mutandis*, to the report referred to in paragraph (3) of this Article.

(5) The Croatian National Bank shall issue a decision based on the report referred to in paragraph (4) of this Article within the following time limits:

- within 15 working days from the date of expiry of the time limit for the submission of objections to the report; or
- within 15 working days from the date of reply of the Croatian National Bank to the objections raised by the credit institution or the parent credit institution.

#### **Article 17.c**

(1) For the purposes of supervision referred to in Article 17.a, paragraph (2), item (2) of this Decision, the Croatian National Bank shall draw up a report on the risk assessment of the group of credit institutions in the Republic of Croatia and deliver it to:

- 1) the chairperson of the management board of the parent credit institution in the Republic of Croatia;
- 2) the chairperson of the supervisory board of the parent credit institution in the Republic of Croatia; and
- 3) the competent authorities of the Member States participating in the college of supervisors and reaching a joint decision referred to in Article 284, paragraph (1) of the Credit Institutions Act.

(2) The parent credit institution in the Republic of Croatia and the competent authorities of the Member States may raise objections as regards the findings of the report referred to in paragraph (1) of this Article within a time limit laid down by the Croatian National Bank, which may not be shorter than 10 working days or longer than 15 working days from the day of receipt of the report.

(3) The Croatian National Bank, the parent credit institution in the Republic of Croatia and the competent authorities of the Member States shall consult each other to the greatest extent possible about the required own funds and liquidity of the parent credit institution in the Republic of Croatia and the Croatian National Bank shall draw up a report on that. The report shall be drawn up within 8 working days from the day of receipt of objections to the report referred to in paragraph 1 of this Article, and shall be delivered to the persons referred to in paragraph (1) of this Article.

(4) The provisions of Articles 11, 12, 13 and 14 of this Decision shall apply, *mutatis mutandis*, to the parent credit institution in the case where a report referred to in paragraph (3) of this Article is delivered.

(5) The Croatian National Bank and the competent authorities of the Member States shall reach a joint decision on specific prudential requirements in the manner and within the deadlines prescribed by Article 284 of the Credit Institutions Act.

#### **Article 17.d**

(1) For the purposes of supervision referred to in Article 17.a, paragraph (2), item (3) of this Decision, the Croatian National Bank shall draw up a preliminary report on the risk assessment of a credit institution and deliver it to:

- 1) the chairperson of the credit institution's management board; and
- 2) the chairperson of the credit institution's supervisory board.

(2) The credit institution may raise objections as regards the findings of the preliminary report referred to in paragraph (1) of this Article within a time limit laid down by the Croatian National Bank, which may not be shorter than 5 working days or longer than 10 working days from the day of receipt of the report.

(3) The Croatian National Bank and the credit institution shall consult each other to the greatest extent possible about the required own funds and liquidity of the credit institution and the Croatian National Bank shall draw up a report on the risk assessment of the credit institution and deliver it to the persons referred to in paragraph (1) of this Article. The report shall be prepared at the latest 2 working days prior to expiry of the time limit for the submission of the report referred to in Article 285, paragraph (2) of the Credit Institutions Act.

(4) Following receipt of the report on the risk assessment of a consolidated group by the consolidating supervisor, the Croatian National Bank shall draw up a report. The report shall be drawn up within 8 working days from the day of receipt of the consolidated report and shall be delivered to the persons referred to in paragraph (1) of this Article.

(5) The provisions of Articles 11, 12, 13 and 14 of this Decision shall apply, *mutatis mutandis*, to the report referred to in paragraph (4) of this Article.

(6) Following receipt of a signed joint decision referred to in Article 285, paragraph (1) of the Credit Institutions Act, the Croatian National Bank shall issue, within 15 working days, a decision referred to in Article 285, paragraph (3) of the Credit Institutions Act.

(7) The Croatian National Bank shall issue, within 15 working days from expiry of the time limit referred to in Article 285, paragraph (6) of the Credit Institutions Act, a decision based on the report referred to in paragraph (4) of this Article.

#### **Article 17.e**

(1) For the purposes of supervision referred to in Article 17.a, paragraph (2), item (4) of this Decision, the Croatian National Bank shall draw up a preliminary report on the risk assessment of a credit institution and deliver it to:

- 1) the chairperson of the credit institution's management board; and
- 2) the chairperson of the credit institution's supervisory board.

(2) The credit institution may raise objections as regards the findings of the preliminary report referred to in paragraph (1) of this Article within a time limit laid down by the Croatian National Bank, which may not be shorter than 5 working days or longer than 10 working days from the day of receipt of the report.

(3) The Croatian National Bank and the credit institution shall consult each other to the greatest extent possible about the required own funds and liquidity of the credit institution and the Croatian National Bank shall draw up a report on the risk assessment of the credit institution and deliver it to the persons referred to in paragraph (1) of this Article. The report shall be prepared at the latest 2 working days prior to expiry of the time limit for the submission of the report referred to in Article 285, paragraph (2) of the Credit Institutions Act.

(4) The Croatian National Bank shall draw up a report at the latest following the receipt of the report on risk assessment of the consolidated group by the consolidating supervisor or other appropriate notification. The report shall be drawn up within 15 working days from the day of receipt of the consolidated report and shall be delivered to the persons referred to in paragraph (1) of this Article.

(5) The provisions of Articles 11, 12, 13 and 14 shall apply, *mutatis mutandis*, to the report referred to in paragraph (4) of this Article.

(6) Following receipt of the signed joint decision referred to in Article 285, paragraph (1) of the Credit Institutions Act, the Croatian National Bank shall issue a decision referred to in Article 285, paragraph (3) of the Credit Institutions Act within 15 working days.

(7) Within 15 working days from expiry of the time limit referred to in Article 285, paragraph (6) of the Credit Institutions Act, the Croatian National Bank shall issue a decision based on the report referred to in paragraph (4) of this Article."

## **Article 7**

This Decision shall enter into force on the eighth day following its publication in the Official Gazette.

No.: 138-020/04-14/BV  
Zagreb, 24 April 2014

**Boris Vujčić**

Governor