

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

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version)**

Zagreb, September 2019

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

I GENERAL PROVISIONS

Article 1

- (1) This Decision prescribes in detail:
- 1) the conditions and methods of exercising supervision of credit institutions;
 - 2) the contents of the supervisory examination programme;
 - 3) the procedure of imposing supervisory measures; and
 - 4) obligations of credit institutions' bodies in the course of supervision and following supervision.
- (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.**
- (3) The provisions of this Decision shall apply to supervision of credit institutions with a head office in the Republic of Croatia authorised by the Croatian National Bank and to their branches outside the Republic of Croatia.
- (4) The provisions of this Decision shall also apply, as appropriate, to the supervision exercised by the Croatian National Bank of:
- 1) branches of credit institutions with a head office in another Member State operating in the Republic of Croatia;
 - 2) credit institutions from Member States in respect of their direct provision of services within the territory of the Republic of Croatia; and
 - 3) branches of credit institutions with a head office in the third country authorised by the Croatian National Bank to provide services.
- (5) The provisions of this Decision shall apply, as appropriate, to the procedures of oversight of the application of other laws, performed by the Croatian National Bank in credit institutions.
- (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.**

Paragraphs (2) and (6) have been amended pursuant to the provision of Article 1 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 13 May 2014.

Article 2

The Croatian National Bank shall exercise supervision of credit institutions in accordance with the Credit Institutions Act and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment

firms and amending Regulation (EU) No 648/2012 (SL, L 176, 27. 6. 2013, hereinafter: Regulation (EU) No 575/2013), regulations adopted under that Act and Regulation (EU) No. 575/2013, other laws regulating the provision of banking and financial services provided by credit institutions and regulations adopted under those laws, as well as other regulations of the European Union governing the operation of credit institutions, own rules, and professional standards and rules, cooperation agreements concluded with the competent authority of a Member State or the competent authority of the third country and an agreement concluded with other supervisory body in the Republic of Croatia.

II SUPERVISORY EXAMINATION PROGRAMME

Article 3

(1) The Croatian National Bank shall, in accordance with the scope of supervision referred to in Article 180 of the Credit Institutions Act, adopt as a minimum once a year a supervisory examination programme for credit institutions.

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

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

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

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

III METHOD OF EXERCISING SUPERVISION

Article 4

(1) The Croatian National Bank shall exercise supervision of credit institutions by:

- 1) collecting and analysing reports and information, ongoing monitoring of the operations of credit institutions and other persons required to report to the Croatian National Bank pursuant to the Credit Institutions Act and regulations adopted under this Act or other laws and regulations adopted under these laws, or applicable regulations of the European Union (hereinafter: off-site examination);

- 2) carrying out on-site examinations of credit institutions' operation;
- 3) imposing supervisory measures; and
- 4) issuing opinions, authorisations and approvals and evaluating credit institutions in accordance with the Credit Institutions Act, Regulation (EU) No 575/2013) and other regulations of the European Union governing the operation of credit institutions.

(2) Within the framework of ongoing monitoring of the operations of credit institutions, the Croatian National Bank shall regularly meet with their management board and/or senior management, internal and external auditors and, where appropriate, with their supervisory board.

(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.

Paragraphs (3) and (4) have been added pursuant to the provision of Article 2 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 13 May 2014.

IV SUPERVISORY BENCHMARKING OF INTERNAL APPROACHES FOR CALCULATING OWN FUNDS REQUIREMENTS

Article 5

(1) Credit institutions shall submit the report referred to in Article 189, paragraph (1) of the Credit Institutions Act as a minimum once a year in accordance with the template developed by EBA pursuant to Article 78, paragraph (8) of Directive 2013/36/EU.

(2) Credit institutions shall submit the results of calculations for the specific portfolio prescribed by the Croatian National Bank pursuant to Article 189, paragraph (2) of the Credit Institutions Act separately from the results of calculations for the benchmark portfolio referred to in paragraph (1) of this Article.

(3) Based on the reports submitted in accordance with paragraph (1) of this Article, the Croatian National Bank shall monitor the range of exposure amounts weighted by risk or own funds requirements, except own funds requirements for operational risk, where applicable, for exposures or transactions in the benchmark portfolio calculated by means of internal approaches of these institutions.

(4) The Croatian National Bank shall assess as a minimum once a year the quality of internal approaches, paying particular attention to:

- a) those approaches that show significant differences in own funds requirements for the same exposure; and
- b) the approaches with particularly high or low diversity and a significant and systemic underestimation of own funds requirements.

(5) When the results referred to in paragraph (1) of this Article of a certain credit institution differ substantially from those of most of its peer institutions or when differences in applied methodologies of calculation lead to various results, the Croatian National Bank shall investigate the reasons for that.

V ON-SITE EXAMINATION

Article 6

- (1) An on-site examination of a credit institution's operation shall be carried out:
 - 1) by reviewing bookkeeping documents, business books, ancillary and other records and accounts, reports which the credit institution is required to produce, policies and other internal bylaws and other documentation relating to business policy and other documentation relating to the credit institution's operation, in original paper format and/or in the form of an electronic record in the medium and in the format required by the authorised person;
 - 2) by verifying the personnel, organisational and technical structure of the credit institution; and
 - 3) by obtaining written and oral explanations from the management and supervisory boards of the credit institution or its employees.
- (2) A credit institution outsourcing some activities shall enable authorised persons of the Croatian National Bank to carry out on-site examinations of such activities on the business premises of the service provider.
- (3) Where the authorised persons of the Croatian National Bank, for the purpose of exercising supervision of a credit institution carry out examinations of the part of operation of a person having close links with the credit institution or a holder of a qualifying holding in the credit institution, the review of business books and documentation may be carried out on the business premises of this person.
- (4) An on-site examination may cover the entire operation of a credit institution or a part of it.
- (5) Members of the supervisory and management board, procurators, other managers and employees of a credit institution shall provide the authorised persons, at their request, also with written answers to the questions relevant for the exercise of supervision, supported by relevant documentation.

Article 7

(1) On-site examinations of credit institutions' operation shall be carried out by employees of the Croatian National Bank authorised by the Governor of the Croatian National Bank (hereinafter: authorised person).

(2) The authorisation referred in paragraph (1) of this Article shall lay down the scope of supervision and the period covered by supervision. Should the authorised person establish that it is necessary to expand the scope of the examination beyond the framework laid down in the relevant authorisation, he/she shall request additional authorisation from the Governor.

(3) In exceptional cases, the Governor of the Croatian National Bank may authorise a certified auditor, an audit company or other professionally qualified persons to carry out the tasks related to an on-site examination of a credit institution's operation.

Article 7a

(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 7a has been added pursuant to the provision of Article 3 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 13 May 2014.

Article 8

(1) The Croatian National Bank shall deliver a notification of an on-site examination to a credit institution as a minimum eight days before the beginning of the on-site examination.

(2) In addition to the subject of examination, the notification of an on-site examination shall include information on the planned beginning and duration of the on-site examination, name of the person in charge and the number of authorised persons that will carry out the examination, a list of documents and information that need to be made available at a minimum in order to prepare and carry out the on-site examination, as well as other necessary information. If computer programmes are used during the period of preparation and carrying out of an on-site examination (including computer-aided supervisory techniques) which require direct access to the credit institution's IT system, the notification of the planned on-site examination shall also contain a list of authorised persons that will prepare and carry out the examination, the period in which the credit institution should provide access to its IT system, the minimum resources it needs to provide to ensure access to its IT system and other information relevant for the preparation and carrying out of computer-aided on-site examination.

(3) By way of derogation from the provision of paragraph (1) of this Article, the authorised person may deliver the notification of an on-site examination just before the beginning of the on-site examination.

Article 8a

(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 8a has been added pursuant to the provision of Article 4 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 13 May 2014.

VI OFF-SITE EXAMINATION

Article 9

(1) Off-site examination shall be carried out by collecting reports and information and by analysing these reports and information by persons authorised by virtue of their employment status. The reports and information shall be the prescribed reports (annual, semi-annual, quarterly, etc.) submitted by credit institutions to the Croatian National Bank, reports of external and internal auditors, correspondence with credit institutions, information, reports and statements delivered by credit institutions at the request of persons authorised by virtue of their employment status, and other available information, reports and notifications relating to credit institutions.

(2) Based on the analysis of the information and reports referred to in paragraph (1) of this Article, the persons authorised by virtue of their employment status shall carry out a partial or a complete review of the credit institution, laying emphasis in particular on the assessment of a credit institution's risk profile and capital adequacy and liquidity in view of the risks to which the credit institution is or might be exposed, its compliance with the prescribed legal requirements and timeliness and accuracy of its reporting.

VII REPORT ON EXAMINATION FINDINGS

Article 10

(1) Following an on-site examination, the authorised persons shall prepare a report on examination findings, regardless whether any illegalities or deficiencies and weaknesses in the credit institution's operation have been found in the course of the examination.

(2) Following an off-site examination, persons authorised by virtue of their employment status shall prepare a report only if the examination of a credit institution's operation established:

- 1) illegalities in the credit institution's operation, including failure to provide the prescribed reports in a timely and accurate fashion; or
- 2) the existence of grounds for implementing a certain supervisory measure.

(3) The procedure for issuing the report and imposing supervisory measures following an off-site examination shall be carried out in the same way as following an on-site examination.

Article 11

(1) The authorised persons shall prepare a report on on-site examination findings within 15 working days of the completion of the examination 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.

The date of completion of an on-site examination shall be the last day of the examination of the credit institution. Exceptionally, when additional data verification relating to the subject of the examination needs to be carried out at the Croatian National Bank, an on-site examination shall be considered completed as at the date of such data verification. Data verification shall be carried out within 15 working days of the end of on-site examination on the credit institution's premises.

(2) The chairperson of the credit institution's management board shall, before expiry of the time limit for issuing a statement as regards the findings in the report, review the findings in the report with other management board members. In addition, the chairperson of the credit institution's management board shall, without delay, deliver a copy of the report to the credit institution's internal audit.

(3) The chairperson of the credit institution's supervisory board shall notify without delay other members of the supervisory board of the report findings.

(4) The credit institution may raise objections as regards the findings in the report within a time limit laid down by the Croatian National Bank, which may not be shorter than 8 working days or longer than 15 working days of receipt of the report.

(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.

Paragraph (5) has been added pursuant to the provision of Article 5 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 13 May 2014.

Article 12

(1) Should an authorised person find that the objections raised by a credit institution are justified, he/she shall prepare an appendix to the report, amending the findings in the report. Should an authorised person find that the objections raised by the credit institution as regards the report are not justified and that there is insufficient evidence to amend the findings of the on-site examination, he/she shall, within 8 working days of receipt of the objections, notify the chairperson of the credit institution's management board in writing that the objections are not accepted.

(2) An appendix to the report shall be prepared within 8 working days of receipt of the objections that have been accepted and shall be delivered to the persons referred to in Article 11, paragraph (1) of this Decision. Article 11, paragraphs (2) and (3) of this Decision shall apply mutatis mutandis to the appendix to the report. Credit institutions shall not be allowed to raise objections to the appendix to the report.

Article 13

- (1) Where illegalities have been found in the course of an on-site examination of a credit institution's operation, the authorised person shall specify in detail the facts and describe the actions by which the credit institution, or a responsible person of the credit institution, acted contrary to law and regulations in the report and collect evidence thereof.
- (2) For illegalities established by the report, the authorised person shall identify the person responsible pursuant to a credit institution's Articles of Association or other internal bylaws.
- (3) A credit institution raising objections to the report referred to in Article 11, paragraph (4) of this Decision, shall also make a statement regarding the responsible persons stated in the report. If, in the opinion of the credit institution, a management board member other than the member stated in the report is the responsible person, the credit institution shall document any such claim.

Article 14

The report on on-site examination findings shall be signed by an authorised person, while the report on off-site examination findings shall be signed by a person authorised by virtue of his/her employment status.

VIII SUPERVISORY MEASURES

Article 15

- (1) The Croatian National Bank shall impose supervisory measures pursuant to the Credit Institutions Act by means of a decision and/or a memorandum of understanding.
- (2) The supervisory measures referred to in paragraph (1) of this Article shall be imposed on and delivered to a credit institution within 30 days of expiry of the time limit for the credit institution's objections to a report on examination findings or of the delivery of an appendix to the report to the credit institution.
- (3) By way of derogation from paragraph (2) of this Article, a decision in the course of an on-site examination shall be issued immediately upon the establishment of the grounds for its adoption.

Article 16

- (1) A memorandum of understanding (hereinafter: memorandum) shall be concluded with a credit institution in the cases laid down in Article 218 of the Credit Institutions Act. The draft memorandum shall be prepared by an authorised person or a person authorised by virtue of his/her employment status. The draft memorandum shall be delivered to the chairperson of the credit institution's management board together with the report on examination findings.
- (2) The chairperson of the credit institution's management board shall notify other management board members of the draft memorandum.
- (3) The credit institution may raise objections as regards the draft memorandum within a time limit laid down for raising objections as regards the findings in the report pursuant to Article 11, paragraph (4) of this Decision.

(4) If the credit institution has no objections to the draft memorandum, it shall be deemed final and then signed and certified by the stamp of the credit institution. The memorandum shall be considered accepted by the credit institution only if it has been signed by all members of the credit institution's management board. The credit institution shall deliver a certified and signed memorandum to the Croatian National Bank within the time limit referred to in paragraph (3) of this Article.

(5) Should the Croatian National Bank find that the objections to the draft memorandum are justified, it shall amend the wording of the memorandum and deliver it to the credit institution within 8 working days of receipt of the objections. The credit institution shall deliver a certified and signed memorandum within 5 working days of the receipt of the final wording of the memorandum.

(6) Following receipt by the credit institution of a certified and signed memorandum, the memorandum shall be signed by the Vicegovernor of the Croatian National Bank responsible for supervision of credit institutions and the executive director of the organisational unit of the Croatian National Bank responsible for supervision of credit institutions.

(7) The Croatian National Bank shall send the memorandum signed by the persons referred to in paragraph (6) of this Article to the credit institution within 5 working days of receipt of the memorandum.

(8) The chairperson of a credit institution's management board shall notify the chairperson of the credit institution's supervisory board of the content of the memorandum immediately upon its conclusion and shall deliver a copy of the memorandum to the credit institution's internal audit.

(9) Following receipt of the notification from the chairperson of the credit institution's management board, the chairperson of the credit institution's supervisory board shall notify other supervisory board members of the content of the memorandum at the next meeting of the supervisory board.

(10) If a credit institution fails to deliver a certified memorandum signed by all members of the credit institution's management board within the prescribed time limit, the memorandum shall be deemed unaccepted and the Croatian National Bank shall issue a decision imposing measures referred to in the draft memorandum. In such a case the decision shall be issued immediately following expiry of the time limit for the delivery of a certified and signed memorandum and no later than within 30 working days of expiry of the time limit for the credit institution's objections to the report on examination findings or of the delivery of the appendix to the report to the credit institution.

Article 17

(1) A decision to eliminate illegalities, weaknesses or deficiencies in a credit institution's operation and undertake activities to improve the safety and stability of the credit institution's operation shall be issued by the Governor of the Croatian National Bank.

(2) The chairperson of a credit institution's management board shall notify other members of the credit institution's management board of the content of the decision at the first next meeting of the credit institution's management board. In addition, the chairperson of the credit institution's management board shall notify the chairperson of the credit institution's supervisory

board of the content of the decision immediately upon receipt and deliver a copy of the decision to the credit institution's internal audit.

(3) Following receipt of the decision, the chairperson of the credit institution's supervisory board shall notify other supervisory board members of the measures imposed by the Croatian National Bank without delay.

VIII.A SUPERVISORY REVIEW AND EVALUATION PROCESS

Article 17a

(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 17b

(1) For the purposes of supervision referred to in Article 17a, 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.**

(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 17c

(1) For the purposes of supervision referred to in Article 17a, 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 17d

(1) For the purposes of supervision referred to in Article 17a, 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 17e

(1) For the purposes of supervision referred to in Article 17a, 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.

Title VIII.A and Articles 17a to 17e have been added pursuant to the provision of Article 6 of the Decision on amendments to the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures, Official Gazette 55/2014, which entered into force on 15 May 2014.

IX TRANSITIONAL AND FINAL PROVISIONS

Article 18

(1) On the date of entry into force of this Decision, the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures (Official Gazette 1/2009, 75/2009 and 67/2013) shall cease to have effect.

(2) All supervisory procedures initiated prior to the entry into force of this Decision shall be completed in accordance with the provisions of the Decision on the method of exercising supervision of credit institutions and imposing supervisory measures (Official Gazette 1/2009, 75/2009 and 67/2013).

Article 19

This Decision shall enter into force on the eighth day following its publication in the Official Gazette, with the exception of Article 5 of this Decision which shall enter into force on the day of implementation of technical standards on the benchmark portfolio referred to in Article 78, paragraph (8) of Directive 2013/36/EU.

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

(Official Gazette 55/2014)

Article 7

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