Pursuant to Article 101, paragraph (2), item (1) 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 liquidity risk management

1 GENERAL PROVISIONS

General provisions
Article 1

(1) This Decision prescribes minimum qualitative requirements for liquidity risk management of credit institutions and quantitative requirements for the purposes of reporting to the Croatian National Bank.

(2) The provisions of this Decision shall apply to credit institutions with registered offices in the Republic of Croatia which have obtained authorisation from the Croatian National Bank.

(3) The provisions of this Decision shall apply, *mutatis mutandis,* to:
- branches of credit institutions from Member States providing mutually recognised services within the territory of the Republic of Croatia, and
- branches of third-country credit institutions which have obtained authorisation to provide services from the Croatian National Bank.

(4) A credit institutions shall apply the provisions of this Decision individually, and provisions on minimum quantitative requirements from Section 2 of this Decision on a consolidated basis as well, in line with Article 97, paragraph (1), item (1) of the Credit Institutions Act.

Definitions
Article 2

(1) For the purposes of this Decision, the following terms shall have the following meaning:

1) **Reporting date** shall be the last calendar day of the reporting month for which a credit institutions submits reports.

2) **Working days** shall be the days from Monday to Friday except those falling on a national holiday.

3) **A week** shall mean the first seven calendar days following the day for which minimum liquidity coefficient is calculated.

4) **A month** shall mean the period from the eight to the thirtieth calendar day following the day for which minimum liquidity coefficient is calculated.

5) **Professional participant in the money market** shall be a financial institution, pension fund, investment fund, insurance company and reinsurance company. A professional participant in the money market may also be some other legal person, except credit institutions, which, for the purpose of managing own resources, participates in the money market in the manner and at a frequency comparable to those of the activities of credit institutions. It shall be a legal person which, on a daily basis or frequently, makes legally binding quotations or offers of funds in amounts that are considerable, relative to total realized turnover in the money market, or a legal person which influences the determination of the final price of (received/given) funds and thus changes the price of a similar transaction, realised by the credit institution in dealing with other clients.

6) **Corrected amount** shall be the amount of assets (readily marketable assets included) and liabilities corrected by the appropriate haircut.

7) **Convertible currencies** shall be currencies of the G-10 countries (Belgium, France, Italy, Japan, Canada, the Netherlands, Germany, the USA, Sweden and Switzerland), the European Economic Area (the EEA consisting of EU Member States and Iceland, Liechtenstein and Norway), Australia and New Zealand.

8) **The allocation mechanism** shall relate to the allocation mechanism for liquidity costs**,** benefits and risks**.**

(2) The following terms used in this Decision shall have the following meaning:

1) "**liquidity risk**", "**funding liquidity risk**", "**market liquidity risk**", "**risk profile**", "**stress testing**", "**scenario analysis**", "**sensitivity analysis**" **and** "**reputation risk**" have the same meaning as determined in the Decision on risk management,

2) "**multilateral development bank**" has the meaning as determined in Article 117 of Regulation (EU) No575/2013, and "**international organisation**" has the meaning as determined in Article 118 of Regulation (EU) No 575/2013,

3) "**public sector entity**" has the meaning as determined in Article 4, paragraph (1) of Regulation (EU) No 575/2013,

4) "**internal controls system**" has the meaning as determined in Article 104, paragraph (1) of the Credit Institutions Act.

5) "**senior management**" has the meaning as determined in Article 3, item (53) of the Credit Institutions Act.

2 MINIMUM QUALITATIVE REQUIREMENTS FOR LIQUIDITY RISK MANAGEMENT

General provisions
Article 3

(1) A credit institution shall adopt and implement adequate strategies, policies, procedures and systems for liquidity risk management.

(2) Strategies, policies, procedures and systems from paragraph (1) of this Article shall be considered appropriate provided they:

1) are proportional to complexity, risk profile, extent of operations and defined risk tolerance of a credit institution,
2) ensure liquidity risk management during adequate periods including daily,
3) ensure maintenance of adequate levels of liquidity buffers,
4) ensure the significance of a credit institution in each Member State in which it operates,
5) are adjusted to business lines, currencies, branches and legal persons, and
6) include adequate allocation mechanisms.

(3) A credit institution shall have a clearly defined tolerance towards liquidity risk in the form of liquidity risk exposure which it is ready to assume and which needs to enable a credit institution to manage its liquidity under normal conditions in such a way as to withstand protracted periods of stress. All relevant business lines need to be informed on the defined tolerance.

(4) A credit institution shall, taking into account the type, extent and complexity of operations, define the liquidity risk profile which enables stable operations of a credit institution and a robust risk management system.

(5) Liquidity risk management strategy minimally encompasses objectives and basic principles of assuming and managing liquidity risk.

(6) Policies and other internal bylaws of a credit institution for liquidity risk management alongside requirements prescribed in the Decision on risk management shall comprise as a minimum:

1) structure of assets and liabilities as well as assumptions on the liquidity and marketability of assets,
2) liquidity risk reporting system,
3) policies and procedures with foreign currencies,
4) measuring and monitoring net cash flows, including intra-day liquidity management,
5) cross-border liquidity management as well as liquidity management across different business lines, branches and subsidiaries
6) where applicable, measuring liquidity within a group of credit institutions,
7) diversity and stability of sources of funding and market access,
8) stress testing and scenario analyses,

9) credit institution's contingency planning, and
10) liquidity recovery plans.

(7) A credit institutions shall ensure that any impediments to international transfer of surplus liquidity are accounted for in the policy and taken into account in liquidity risk management.

(8) A credit institution operating with foreign currencies shall conduct an analysis of liquidity in foreign currencies and an analysis of mutual convertibility of foreign currencies.

(9) A credit institutions shall identify and monitor professional participants in the money market while managing liquidity risk shall appropriately incorporate them into the reports submitted to the Croatian National Bank. A credit institution shall prescribe in detail in its internal bylaws the criteria for identification of other legal persons that are professional participants.

Competencies and responsibilities of the management board and senior management
Article 4

(1) Alongside requirements prescribed in the Decision on risk management the credit institution's management board shall:

1) with compliance of the supervisory board adopt an adequate liquidity risk management strategy and policies,
2) establish organisational structure and define activities and scope of competence of the body and senior management in charge of liquidity risk management and shall be responsible for their activities,
3) ensure that the adopted strategies, policies, internal bylaws and practices for liquidity risk management are revised at least annually, or more frequently if deemed necessary,
4) ensure that the credit institution can meet its daily obligations and that it can withstand periods of liquidity stress by maintaining an adequate liquidity buffer,
5) ensure usability and timeliness of liquidity risk reports,
6) ensure appropriateness and efficacy of internal controls embedded in liquidity and liquidity risk management system, and
7) approve a contingency plan and a liquidity recovery plan.

(2) Senior management of a credit institutions shall, alongside requirements prescribed in the Decision on risk management:

1) establish and maintain liquidity risk management system efficiency in kuna and in all other currencies,
2) in line with the defined tolerance towards liquidity risk define and continuously revise limits for managing liquidity risk as well as limits for authorisation of cash flows above defined limits,
3) establish an appropriate reporting system on excess of liquidity limits and procedures in case of excesses,
4) at least once a year approve and revise the allocation mechanism, and
5) draw up and at least once a year revise a contingency plan and a liquidity recovery plan and in line with them adjust internal policies and procedures.

Liquidity assumptions
Article 5

Liquidity risk management system needs to comprise at least:
1) assumptions on the behaviour of assets, liabilities and off-balance sheet items of a credit institution as well as assumptions on other relevant conditions so as to ensure their appropriateness in terms of activities of a credit institution and market conditions,
2) procedures for the behaviour of management board and senior management in cases of adverse stress test results,
3) examine different possibilities or instruments for liquidity risk mitigation, including systems of limits and liquidity buffers, so as to enable the credit institution to withstand various stress events, and
4) ensure diversification of the structure of funding and access to funding.

Allocation mechanism
Article 6

(1) A credit institution shall ensure that the allocation mechanism is consistent with the liquidity risk management system in place and with the defined tolerance towards liquidity risk and set up an adequate decision-making process.
(2) A credit institution shall use the allocation mechanism for internal pricing. The credit institution shall include in the allocation mechanism as a minimum:

(a) the impact of current market conditions i.e. direct costs of funding (e.g. market cost of raising funds, base yield curve), including other direct costs of funding (such as for instance the bid/ask spread, transaction price, the cost of physical transfer of cash, etc.),
(b) the conditions in which the credit institution operates (e.g. credit quality, funding sources availability),
(c) different behaviour characteristics of individual products from the liquidity point of view (e.g. the cost of early withdrawal, products available through e-banking or products with irregular cash flows), and
(d) indirect costs of funding (e.g. the cost of liquidity mismatch, the cost of liquidity buffer, the cost of additional collateral, etc.).

(3) A credit institution shall regularly update the allocation mechanism, taking into account the effects of factors referred to in paragraph (2) of this Article.

(4) A credit institution shall ensure controlling and monitoring of the allocation mechanism by an independent organisational unit (e.g. a risk control unit).

(5) A credit institution shall ensure that all relevant levels of management and all relevant organisational units are fully informed about the allocation mechanism and that they apply it actively and appropriately.

Monitoring and reporting
Article 7

A credit institution shall alongside requirements prescribed in the Decision on risk management include in its reporting system at minimum the monitoring of liquidity position on an aggregate basis in kuna and in foreign currencies as well as monitoring of stress test results.

Net cash flow measuring and monitoring
Article 8

(1) A credit institution shall set up as a minimum a system for assessing all current and future inflows and outflows, including the assessment of the funds needed for off-balance sheet items. A credit institution shall take into account the accepted clearing and settlement standards and the timeframe used in determining cash flows on individual dates.

(2) A credit institution shall regularly examine the close interaction between funding liquidity risk and market liquidity risk. A credit institution shall also consider the close interaction between liquidity risk and other risks to which it is exposed, such as interest rate risk, credit risk, operational, legal and reputational risks.

(3) A credit institutions shall manage liquidity risk in adequate periods, including intraday, in order to ensure maintenance of adequate levels of liquidity buffers. Liquidity buffers especially include maintenance of sufficient liquid assets in the form of reserve, high-quality, unpledged liquid assets which are available to the credit institution at all times and serve as insurance in various stress events (of various intensity and duration), including loss or decrease in unsecured and otherwise available funding sources. There should be no legal or operative impediments to using those funds.

(4) A credit institution shall ensure liquidity risk management in different timeframes. In doing so, it shall consider changes in intraday, short-term and medium-term liquidity needs of a credit institution and how these needs are met, as well as its longer-term (structural) liquidity needs and how these needs are met and potential vulnerabilities to events, activities and strategies of a credit institution. A credit institution shall regularly check accuracy of input data used in liquidity position calculation.

(5) A credit institution shall actively manage collaterals, separate encumbered and unencumbered assets and monitor the amount of available collateral by natural and legal persons that own them and the country in which those collaterals are legally registered in a register or on an account. A credit institution shall monitor the acceptability of those instruments for their timely use, and especially for use in extreme situations.

(6) A credit institutions shall also take into account the existing legal, regulatory and operative impediments in the transfer of liquid and encumbered assets between subjects within and outside the European Economic Area.

Sources of funding and market access
Article 9

(1) A credit institution shall draw up a methodology for identification, measuring, monitoring and managing financing positions which shall comprise current and future materially significant cash flows which arise from assets, liabilities and off-balance sheet items, including contingent liabilities and possible impact of reputational risk.

(2) In the context of management of liquid assets and sources of funding, a credit institution shall ensure access to different sources of funding on the financial market and manage available market sources of liquidity by ensuring that its liquidity policy comprises as a minimum:

1) profile of a source of funding and its projection taking into account the maturity mismatch in the long term with respect to business model, strategy and risk tolerance,
2) procedures which ensure continuous active management of market sources of liquidity,
3) procedures for the establishment and maintenance of cooperation with providers of sources of funding, including monitoring the frequency of use of available sources of funding,
4) assessment of access to financial markets and of available funding under normal and stressed conditions,
5) assessment of stability of sources of funding and of risks affecting their stability,
6) monitoring the concentration of sources of funding in terms of the assessment of liquidity of individual instruments, geographical locations and providers of sources of funding, and
7) identification and procedures regarding the use of alternative sources of funding.

Stress testing
Article 10

(1) In its liquidity risk management policies, a credit institution shall define stress testing (scenario and sensitivity analyses), in the following way:

1) prescribe and adopt procedures for the implementation and analysis of different stress testing and their frequency (at least annually), taking into account credit institution-specific (internal) and market-wide (outside) factors,
2) prescribe that liquidity be tested depending on adverse conditions and their intensity: under usual (foreseeable or normal) conditions and under unusual (extreme) conditions,
3) prescribe that testing be conducted under shorter and protracted stressed conditions,
4) enable analysis of test results by the competent body and senior management of a credit institution,
5) prescribe procedures for activities to be taken in cases of adverse stress test results,
6) determine a schedule of stress testing when making plans for the following year and ensure reporting to the credit institution's management board about the results of planned tests on an annual level, and
7) foresee alternative scenarios for liquidity positions and instruments for mitigation of liquidity risk and at least once a year review assumptions on which the decisions on sources of funding are based. Those alternative scenarios relate in particular to off-balance sheet items and other contingent liabilities, including securitisation special purpose entities or other special purpose

entities, as determined in the Regulation (EU) No 575/2013, in relation to which a credit institution acts as a sponsor or ensures material liquid assistance.

(2) When conducting stress testing, a credit institution shall take into account the sources with an agreed early withdrawal option.

(3) When conducting stress testing, a credit institution shall calculate the impact on liquidity of all positions with possible additional margin calls.

(4) When conducting stress testing, a credit institution shall take into account mutual convertibility and liquidity of different convertible currencies and their availability on the foreign exchange markets.

(5) The results of stress testing shall be used as a basis for taking corrective measures or activities for mitigating exposure of a credit institution, ensuring liquidity buffers and adjustment of the liquidity profile of a credit institution to its risk tolerance.

(6) A credit institution shall use the stress test results, and in particular the alternative scenarios from paragraph (1) item (7) of this Article in adjusting liquidity risk management strategy, adopting policies, defining limits, assuming positions and in drawing up efficient contingency plans and liquidity recovery plans.

(7) A credit institution shall use stress test results, and in particular the alternative scenarios from paragraph (1) item (7) of this Article in adjusting its liquidity risk management strategies, in adopting policies, in setting limits and in developing effective contingency plans and liquidity recovery plans.

Contingency funding plan of a credit institution
Article 11

A credit institution shall prepare a contingency funding plan which will constitute an integral part of the liquidity risk management policy. The contingency funding plan shall include as a minimum:

1) early warning indicators which serve to identify the emergence of a crisis and persons responsible for monitoring and reporting on these indicators (e.g. breaches of internal limits, a fall in deposits, a fall in stock price, rising funding costs compared to other credit institutions, credit institution's credit rating change, difficulties in accessing funds in the money market, asset quality or profitability deterioration),
2) duties and responsibilities of individual employees in case of absence of liquidity in a credit institution (such as those in charge of client and public relations, relations with key market participants, shareholders and central banks),
3) procedures which ensure timely and relevant provision of information to senior management and the management board of a credit institution for the purposes of decision taking in crisis situations,
4) procedures and processes ensuring liquidity to cover current liquidity deficits and the timeframes within which individual activities have to be taken (e.g. sale of assets, establishment of new funding lines) under normal and stressed conditions,

5) identification, size and reliability of all sources of funding with indicated order of use under different stress situations, and
6) circumstances warranting contingency funding plans and contact data (address, telephone, e-mail address and similar data) and the location of persons responsible for plan execution.

Liquidity recovery plan
Article 12

(1) A credit institution shall have liquidity recovery plans in place.

(2) A liquidity recovery plan needs to comprise adequate strategies and appropriate implementation measures for settling potential liquidity deficits, including liquidity deficits in relation to branches established in another Member State.

(3) A credit institution shall at least once a year test the liquidity recovery plans and update them on the basis of stress test results as defined in Article 10 of this Decision.

(4) A credit institution shall in advance take required activities to enable the applicability of liquidity recovery plans, as required. Those activities include: holding collateral which is ready for financing at the central bank and if needed holding collateral in the currency of another Member State or in the currency of a third state that the credit institution is exposed to and, when appropriate for operative reasons, within the host member state or within a third country to whose currency it is exposed.

3 QUANTITATIVE REQUIREMENTS FOR THE PURPOSES OF REPORTING TO THE CROATIAN NATIONAL BANK

Article 13

(1) A credit institution shall calculate maturity mismatch of assets and liabilities according to the estimated or remaining agreed maturity, by using the last possible date for the settlement of claims for assets, and for liabilities the earliest possible date for the payment of liabilities. By way of exception, in accordance with Articles 17 and 18 of this Decision, a credit institution may, when calculating maturity mismatches, use own assumptions on the behaviour of these positions instead of the prescribed haircuts.

(2) When calculating maturity mismatch of assets and liabilities, cash inflows and cash outflows shall be distributed in time zones up to one week, i.e. one month, in the manner determined under this Decision and the Instructions. The calculation shall include both inflows and outflows arising from off-balance sheet contingent liabilities and derivative financial instruments.

(2) A credit institution shall submit to the Croatian National Bank the following reports, using the listed forms: *Readily marketable assets - form TUI, Expected inflows - form OP, Expected*

outflows - form OO, Liquidity coefficient - form KL, Assumptions on positions behaviour - form POP, and *Concentration of sources - form KI* (hereinafter: reports, forms).

Readily marketable assets and treatment of assets
Article 14

(1) Readily marketable assets shall be those liquid assets of a credit institution which stand at the disposal of a credit institution and which may be quickly (within four working days) and easily (without significant losses) turned into cash.

(2) Readily marketable assets shall include:
- cash,
- deposits with the Croatian National Bank,
- deposits/loans available on demand, overnight deposits/loans, deposits/loans with remaining maturity up to four working days and funds of a credit institution in current accounts with credit institutions and/or professional participants in the money market,
- T-bills of the Ministry of Finance of the Republic of Croatia and CNB bills of the Croatian National Bank, and
- securities.

(3) When determining marketability of securities which may be considered readily marketable assets, a credit institution shall take into account the following:
1. **asset concentration**: e.g. where a credit institution holds in its portfolio a significant share of a certain issue of securities and where it may not be possible for it to utilise the portfolio assets within 4 working days, the credit institution shall determine an appropriate time frame within which it estimates that such assets can be converted into cash,
2. **market depth**: there shall be an active market which will enable the credit institution to convert its assets into cash within 4 working days, and
3. **the risk which emerges with forced sale of liquid assets:** for each type of liquid assets where such risk exists, the credit institution shall apply haircuts to calculate readily marketable assets. Haircuts are defined in Article 18 of this Decision.

(4) Liquid assets shall include:
- assets listed in paragraph (2) of this Article,
- checks and other monetary instruments,
- loans,
- deposits,
- claims under repo/reverse repo transactions and securities lending transactions,
- gold,
- claims under derivative financial instruments, and
- other claims (under interest and other).

(5) Notwithstanding item (3), paragraph (3) of this Article, a credit institution may include in the reports securities with remaining maturity up to one week or one month, respectively, in their 100 percent amount in the appropriate time zone.

(6) Securities distributed in the held-to-maturity portfolio shall not be considered readily marketable assets and can therefore not be included in expected inflows in the maturity period up to one week, except in case referred to in paragraph (5) of this Article, but a credit institution may consider them inflows in the maturity period up to one month.

(7) A credit institution shall not consider securities which a credit institution has taken over based on underwriting activities as an unsubscribed part of their issue as readily marketable assets, and cannot include them under expected inflows in the maturity period up to one week.
(8) Holdings in open-end investment funds shall be considered readily marketable assets if, pursuant to the provisions of the fund's prospectus, the holding in the fund can be converted into cash within 4 working days. If this is not the case, they shall not be considered readily marketable assets and shall not be included in expected inflows in the maturity period up to one week. However, a credit institution may consider them an inflow in the maturity period up to one month.
(9) Holdings in closed-end investment funds shall be considered readily marketable assets provided they are listed on a regulated market and provided they meet all the conditions as listed shares as laid out in this article.
(10) Investments in bonds, factoring and forfaiting shall be considered inflow only when their remaining maturity is up to a week or a month and when a credit institution may include them in the reports in their 100 percent amount in the appropriate time zone.

Liabilities and treatment of liabilities
Article 15

(1) Liabilities of a credit institution shall include:
-liabilities towards the Croatian National Bank,
- liabilities arising from instruments issued by the credit institution,
- liabilities arising from deposits,
- liabilities arising from loans, unused granted loans or lines of credit,
- liabilities arising from repo/reverse repo transactions and securities lending transactions,
- liabilities arising from derivative financial instruments;
- liabilities arising from other standard off-balance sheet items, and
- other liabilities (e.g. liabilities arising from interest, restricted deposits, etc.).
(2) Liabilities arising from unused granted loans shall be off-balance sheet irrevocable liabilities of a credit institution involving payments to be fully made to the client within the agreed timeframe. Liabilities arising from granted loans shall be classified as outflow in accordance with the timeframe granted to the client for the withdrawal of such funds, i.e. in accordance with announced withdrawals. If the time remaining until the withdrawal of such funds exceeds one month, 50 percent of the funds shall be classified as expected outflow.
(3) Restricted deposits shall be different temporary (restricted) deposits which may be transferred from current and giro accounts (e.g. funds set aside pursuant to a court order) for a particular purpose. Restricted deposits, for the purpose of this Decision shall also include funds (in kuna or in foreign currency) accepted on the basis of an agreement on conducting transaction in the name and for the account of third parties that are included in the balance sheet of a credit institution, and which are on the mandated transactions transfer account. A credit institution shall include the restricted deposits relating to other funds allocated at court's order in cash outflows so that 25% of total funds allocated at court's order is included in cash outflows up to one week and 25% up to one month. A credit institution shall include restricted all other deposits in their 100 percent amount in cash outflows up to one week.
(4) In agency and underwriting cases where a credit institutions undertakes to subscribe/take over the remaining unsubscribed part of an issue, a credit institution shall include in the report as an expected outflow from the beginning of subscription of their issue minimum 25 percent of the remaining unsubscribed amount provided the remaining time for subscription exceeds one

week, or 100 percent of the remaining unsubscribed amount if the remaining time for subscription is one week or less.

Assets and liabilities positions under a special treatment
Article 16

(1) A credit institution shall include in the reports securities not actively traded and which do not have an easily ascertainable market price according to their remaining maturity.
(2) Securities pledged under a repo transaction or lent to a counterparty, shall not be considered readily marketable assets from the date of agreement to four working days to transaction completion, but they may be considered inflow in a period up to one month in case of transaction maturity of up to one month. During the period of four working days before transaction completion, these securities shall be considered readily marketable assets and shall be reported in forms TUI and OP.
(3) Securities received under a reverse repo transaction or a securities lending transaction from a counterparty, may be considered readily marketable assets, provided that the credit institution may prove undoubtedly the possibility (legal and organisational) of their further use and provided that those securities meet the conditions referred to in Article 14 of this Decision. Such securities shall be reported in forms TUI and OP from the date of agreement to four working days before completion of such a transaction. During the period of four working days before transaction completion, they shall be considered loan receivables. Where a credit institution, during a reverse repo transaction and lending transaction transfers the received securities onto a third person (ownership and/or pledge), such securities shall not be included in readily marketable assets during that period.
(4) A credit institution shall distribute all cash flows which arise from transactions with derivative financial instruments across appropriate time zones. Cash flows which arise from transactions with derivative financial instruments shall be distributed in the actual amount of the cash flow arising from that transaction. Inflows or outflows which arise from options shall be distributed into appropriate maturity from the moment when it becomes probable that the option will be exercised.
(5) A credit institution shall include in the reports or exclude from the reports, respectively, the amounts of spot currency or securities purchase/sale transactions in the manner prescribed under the Instructions.
(6) Reports for minimum liquidity coefficient calculation shall not include:
1) reserve requirements set aside with the Croatian National Bank and similar monetary policy instruments as well as other deposits set aside which are not available for use to the credit institution (NCS accounts),
2) compulsory CNB bills pursuant to the Decision in force,
3) different monetary funds which a credit institution has received and which it manages in the name and for the account of another party (e.g. funds associated with mandated operations, funds for the purchase of securities for the account of a client),
4) placements (regardless if they are considerable exposures or exposures belonging to the small loan portfolio) in line with the Decision on classification of placements and off-balance sheet liabilities classified in risk groups B (B-1/B-2, B-3) and C, as well as those placements classified in risk group A where a credit institution identified that the client has overdue liabilities for more than 90 days (the so called A90 placements),
5) deposits and securities set aside which are not available to the credit institution as they serve as collateral for the provision of individual services by a credit institution to the clients (e.g. guarantee deposits for payment cards operations, guarantee deposits used for trading in

financial instruments) and these services are provided by a credit institution as part of its regular activities,
6) securities not available while being used as an instrument of collateral,
7) securities and investments in the capital of a company in which a credit institution has a qualifying holding or a participation,
8) purchased issued own securities,
9) inflows from assets which is principally paid on demand, except sight deposits in central banks, credit institutions and professional participants in the money market; assets which is principally paid on demand are assets which do not have a contractually set maturity but whose maturity depends on the needs and possibilities of the parties to such transactions, e.g. account overdraft loans, credit card loans, initial margin and variation margin deposits, and
10) holdings in open-end investment funds which are characterised by restricted possibility for withdrawing funds from such funds (e.g. venture capital investment fund with a private offering).

Own assumptions on behaviour
Article 17

(1) In the case of certain positions for which a haircut has been prescribed under this Decision, a credit institution may use its own assumptions on their behaviour. By way of exception, a credit institution shall use the prescribed haircuts for the following positions: securities, gold, granted unused loans, restricted deposits, agency and the underwriting of debt or equity instruments, and for the positions for which a 100% haircut is prescribed under this Decision.

(2) A credit institution shall fully document own assumptions on the behaviour referred to in paragraph (1) of this Article, prescribe them under its internal bylaws and include them, together with their financial impact on cash flows, in regular reports submitted to the Croatian National Bank. A credit institution shall submit to the Croatian National Bank own assumptions on the behaviour at the latest one month prior to the first day of the reporting month in which it will draw up reports based on own assumptions on behaviour and shall inform the Croatian National Bank, within the same timeframe, about any changes in own assumptions on the behaviour. A credit institution shall prove legitimacy of the use of the adopted assumptions, substantiate them with data on historical behaviour of individual cash flows and ensure their regular review.

(3) Where a credit institution uses its own assumptions on the behaviour of individual items when determining a final amount of cash flow that is to be included in the reports, it shall take a conservative approach and correct (increase or reduce) the obtained percentage by the additional haircut as prescribed under this Decision. A credit institution using own assumptions on the behaviour may not apply several different haircuts within one position (e.g. sight deposits) in the same currency.

(4) Once a credit institution begins using own assumptions on the behaviour of cash flows of individual positions, it shall continuously use such assumptions and review them and as such include them in regular reports submitted to the Croatian National Bank.

(5) In calculating its own assumptions on the behaviour of cash flows of individual positions, a credit institution shall meet the qualitative standards prescribed in Articles 368 and 369 of the Regulation (EU) No 575/2013 and all of the following quantitative standards:
1) at least daily calculation of value at risk,
2) a 99 percent one-tailed confidence interval,
3) an effective historical observation period of at least three years, or at least three years,
of non-weighted data and, additionally, a minimum of two years of weighted data, and
4) monthly update of data series.

Haircuts
Article 18

(1) A credit institution shall use haircuts (prescribed or obtained on the basis of own assumptions on behaviour) for specific categories of assets and liabilities, in the manner determined under this Article
(2) In case of securities positions, a credit institution shall use the following haircuts for each period:
- debt securities of the central government: short-term 5 percent and long-term 10 percent,
- debt securities of the local and regional self-government, public sector entities, credit institutions and professional participants in the money market: short-term 10 percent and long-term 15 percent,
- other undertakings: short-term 15 percent, long-term 20 percent,
- equity securities 20 percent,
- units in open-end investment funds 20 percent, and
- units in closed-end investment funds 20 percent.
(3) In case of gold positions, a credit institution shall correct the total balance sheet position in gold by a 10 percent haircut and include it in such a corrected amount in the report as an inflow up to one week.
(4) Credit lines. A credit institution shall take a conservative approach when determining the assumptions on drawing down unused received and granted credit lines and report them in appropriate time zones in the reports. Received credit lines available to the credit institution for drawing down funds shall be legally binding, unconditional and accessible on time. As regards credit lines granted, a credit institution shall assess the possibility of their drawdowns and, where their non-performance would imply a significant reputational risk and legal risk for a credit institution include them in the calculation of expected outflows. Where a credit institution uses own assumptions on the behaviour of granted credit lines, it shall apply a 2 percent haircut to the obtained result on the behaviour of cash flows. Where a credit institution does not use own assumptions on the behaviour of unused credit lines granted to legal and natural persons (account overdrafts) other than credit institutions or professional participants in the money market, of the total amount of credit lines granted, a credit institution shall report as cash outflow in each report time zone, 10 percent of the amount of credit lines granted to natural persons and 20 percent of the amount of credit lines granted to legal persons. A credit institution shall report as cash outflow credit lines granted to credit institutions and to other professional participants in the money market in a 100 percent amount in the time zone up to one week A credit institution shall report as cash outflow all granted credit lines in non-convertible currencies in a 100 percent amount in time zones up to one week.
(5) Other standard off-balance sheet items. A credit institution may use own assumptions on the behaviour of other standard off-balance sheet items. A credit institution shall take a conservative approach and apply an additional 0.75 percent haircut to the obtained result on the behaviour of

such positions. Where a credit institution, in calculating the amount of cash outflows under other standard off-balance sheet items, does not use own assumptions on their behaviour, it shall report as cash outflows in each time zone 2.5 percent of the total other standard off-balance sheet items.
(6) Received sight deposits and savings deposits. A credit institution may use own assumptions on the behaviour of received sight deposits and savings deposits. A credit institution shall take a conservative approach and apply an additional 2 percent haircut to the obtained result on the keeping of deposits, or their spillover to other time zones. Where a credit institution does not use own assumptions on the behaviour of these categories of liabilities, it shall report as cash outflows, in each report time zone 25 percent of the said total deposits of the central government, central banks, multilateral development banks, international organisations, local and regional self-government and public sector entities, and 30% of the said deposits in the report for convertible currencies. For other legal persons, other than credit institutions or professional participants in the money market, a credit institution shall include as cash outflow in each time zone in the report for kuna 10% of the total deposits, and in the report for convertible currencies 17.5% of these deposits. For natural persons, a credit institution shall include as cash outflow in each time zone in the report for kuna 6.5% of the total deposits and in the report for convertible currencies 4.5% of the total deposits of natural persons. A credit institution shall report as cash outflows deposits received from credit institutions and other professional participants in the money market in the 100% amount in a time zone up to one week. A credit institution shall report all received sight deposits and savings deposits in non-convertible currencies as cash outflow in the 100% amount in a time zone up to one week.
(7) Margin calls. Where a credit institution estimates materiality of potential outflows arising from additional margin calls, it shall report such outflows under appropriate maturity classes.
(8) Time deposits. A credit institution may use own assumptions on time deposits spillover provided it applies an additional appropriate haircut to the obtained result before distributing it into an appropriate time zone. The haircut for legal persons other than credit institutions or professional participants in the money market and natural persons shall be 2 percent. A credit institution, other than a housing savings bank, which does not use own assumptions on the spillover of time deposits, shall report as cash outflow according to the remaining contractually agreed maturity in each time zone of the report for legal persons other than credit institutions or professional participants in the money market 20 percent of the total amount of time deposits with maturity of a week and/or up to a month and for natural persons 15 percent of the total amount of time deposits with maturity of a week and/or up to a month. Of the total amount of time deposits, a credit institution shall report as an outflow 100 percent of time deposits of credit institutions and other professional participants in the money market, distributing them into appropriate time zones according to the remaining agreed maturity. A housing savings bank shall report as an outflow 100 percent of the total amount of time deposits of natural persons, distributing them into appropriate time zones according to the remaining agreed maturity. A credit institution shall report all time deposits in nonconvertible currencies in a 100 percent amount distributing them into appropriate time zones according to the remaining agreed maturity.

Minimum liquidity coefficient
Article 19

(1) Minimum liquidity coefficient up to one week shall be the ratio of cash inflows (readily marketable assets included) up to one week and cash outflows up to one week.

(2) Minimum liquidity coefficient up to one month shall be the ratio of cash inflows up to one week and up to one month and cash outflows up to one week and up to one month.
(3) Minimum liquidity coefficient of a credit institution on each day of the reporting month for periods up to one week and up to one month shall be minimum 1.
(4) By way of exception from paragraph (3) of this Article, a credit institution will be allowed to derogate from the requirement prescribed in paragraph (3) of this Article so that it may have minimum liquidity coefficient in one currency (in kuna or in all convertible currencies together or in unconvertible currencies individually) for a maximum of seven days within a reporting month by 10% lower than 1 (i.e. 0.9), regardless is it a period of 'up to a week' or 'up to a month'.

Article 20

(1) A credit institution shall monitor and report to the Croatian National Bank on the minimum liquidity coefficients in kuna, all convertible currencies combined and in nonconvertible currencies on an individual basis.
(2) Notwithstanding paragraph (1) of this Article, a credit institution with outflows in a non-convertible currency which amount to less than 1 percent of its total assets, shall not have to report to the Croatian National Bank on minimum liquidity coefficient for that currency

4 CONCENTRATION OF SOURCES

Article 21

(1) A credit institution shall monitor the concentration of sources in total liabilities. For the purpose of this Decision, the concentration of credit institution's sources exists if the total funds received from one client or a group of related persons amounts to more than 2% of its total liabilities.

(2) Individual client shall mean one natural or legal person (including credit and financial institutions) or undertakings linked by management on a unified basis as determined by the Credit Institutions Act or a group of connected clients as determined by Article 4, paragraph (1), item (39) of the Regulations (EU) No 575/2013.

5 REPORTING TO THE CROATIAN NATIONAL BANK

Article 22

(1) A credit institution shall submit to the Croatian National Bank the reports referred to in Article 13, paragraph (3) of this Decision on a monthly basis with balance on the last day of the month. The time limit for the submission of the reports shall be 8 working days from the last day of the month.
(2) In addition to the obligation referred to in paragraph (1) of this Article, a credit institution shall also submit the reports referred to in Article 13, paragraph (3) of this Decision with balance as at 31 December based on unconsolidated audited reports within 15 days from the

date of issue of the audit report, at the latest until 30 April of the current year for the preceding year.
(3) A credit institution shall maintain minimum liquidity coefficients determined under this Decision between the reporting dates. A credit institution shall, upon request of the Croatian National Bank, enable verification of the compliance of minimum liquidity coefficients with the provisions of this Decision between the reporting dates.
(4) The Reports referred to in Article 13 paragraph (3) of this Decision shall be prepared on an individual basis.
(5) A branch of a credit institution from a Member State shall apply this Decision *mutatis mutandis* and shall report to the Croatian National Bank in accordance with the Instructions. By way of exception, a branch of a credit institution from a Member State may be exempted from reporting in the manner determined under this Decision, provided such exemption has been provided for and regulated by a bilateral agreement between the Croatian National Bank and the competent supervisory body from the home Member State and provided qualitative and quantitative regulatory requirements of the home Member State relating to liquidity risk management are at least equal to qualitative and quantitative requirements determined under this Decision.
(6) A branch of a credit institution having its registered office in the Republic of Croatia and operating within the territory of a Member State may be exempted from reporting determined under this Decision, provided such exemption has been provided for and regulated by a bilateral agreement between the Croatian National Bank and the competent supervisory body of the host Member State and provided that qualitative and quantitative regulatory requirements of the host Member State relating to liquidity risk management are at least equal to qualitative and quantitative requirements determined under this Decision.

6 TRANSITIONAL AND FINAL PROVISIONS

Article 23

(1) The manner of application of this Decision and the forms for the calculation of liquidity risk exposure of a credit institution referred to in Article 13, paragraph (3) of this Decision have been prescribed under the Instructions for uniform implementation of the Decision on liquidity risk management, which constitute an integral part of this Decision.

(2) The Governor of the Croatian National Bank shall prescribe the Instructions that will govern the manner of submitting the reports of credit institutions based on this Decision by telecommunication means (or on magnetic media).

Article 24

Credit institutions shall include the liquidity recovery plan into the recovery plan from Article 154 of the Credit Institutions Act, and submit it in a manner and within the time limits prescribed by the subordinate legislation adopted based on Article 102, paragraph (2), item (8) of the Credit Institutions Act.

Article 25

As of the date of entering into force of this Decision, the Decision on liquidity risk management (Official Gazette 2/2010, 73/2011, and 47/2012 and 60/2013) will cease to be valid.

Article 26

This Decision shall be published in the Official Gazette and shall enter into force on the eighth day after the day of its publication.

Instructions
for uniform implementation of the Decision on liquidity risk management

GENERAL PROVISIONS

1. These Instructions prescribe the manner of uniform implementation of the Decision on liquidity risk management.
2. A credit institution shall submit to the Croatian National Bank the reports prescribed under this Decision in a paper format and through a telecommunications channel (or in a magnetic medium), fully complying with the prescribed format for each individual report. By way of exception, a credit institution shall submit the report entitled Assumptions on the behaviour of individual cash flows (form POP) in a paper format only.
3. A credit institution shall submit the reports defined under this Decision and these Instructions to the Croatian National Bank on a monthly basis with balance on the last (reporting) day of the month. A credit institution shall enter into the forms balances of financial instruments, i.e. cash inflows and outflows of a credit institution determined on the last day of the month. The time limit for the submission of reports shall be 6 working days from expiry of the last day of the month.
4. A credit institution shall be deemed to have submitted the reports within the prescribed time limit if the reports have passed formal and logical control prescribed under the Instructions for the delivery of credit institutions' reports by means of telecommunication.
5. The cover page of the monthly unconsolidated unaudited interim report (MI) and unconsolidated audited report (NR) shall be signed and dated in the designated place by the authorised management official and one member of the credit institution's management board.
6. Any subsequent changes to the monthly unconsolidated, unaudited interim report (MI) shall be verified and signed by an authorised management official. Any subsequent changes to the unconsolidated audited report (NR) shall be verified and signed by an authorised management official and one member of the credit institution's management board.
7. In the heading of each report the following data shall be given:
Name of credit institution – give a full or abbreviated name of the credit institution
Personal identification number of a credit institution (OIB) – give the personal identification number assigned to the credit institution by the Ministry of Finance, pursuant to the Act on the Personal Identification Number.
Type of Report – indicate one of the following types as relevant:
"MI" for monthly unconsolidated unaudited interim report,
"NR" for unconsolidated audited report.
Date – state the last day of the reporting period using the following format DDMMYYYY.
8. When the reports are submitted in a magnetic media, all the amounts in monetary units shall be listed in the full amount of the monetary unit in which they are expressed (e.g. if the value of the position is HRK 100,000.60, the amount to be entered in the form shall be 100,000.60, which means that the amount in lipa shall be given too).

9. All the monetary amounts in the reports prepared in a paper format in accordance with these Instructions shall be stated in thousand kuna. The balance amounting to HRK 500 or more shall be rounded off to one thousand kuna, while any balance below HRK 500 shall be disregarded. Where an individual report item amounts to below HRK 500, it shall be shown in the report as a zero.
10. As regards the rounding off to thousand kuna of the amounts which are entered into a paper format report forms, a credit institution shall take particular care to conduct this rounding off with precision. This means that a credit institution shall first prepare all the reports under these Instructions in their full amounts (in kuna and in lipa) and then round off the final amounts to be entered under individual line items of the report.
11. The amounts expressed in foreign currencies shall be converted into kuna by applying the midpoint exchange rate of the Croatian National Bank applicable on the reporting date. The amounts expressed in foreign currencies which are not shown in the Exchange Rate List of the Croatian National Bank, shall be converted into the euro or the American dollar by applying the midpoint exchange rate of the reference markets and then into kuna by applying the midpoint exchange rate of the Croatian National Bank applicable on the reporting date.
12. Items in kuna with an agreed currency clause in relation to a specific currency shall be treated as positions in kuna.
13. Grey-marked positions in the forms shall not be completed.
14. A credit institution shall submit reports in the paper format to the following address:
Croatian National Bank
Prudential Regulation and Supervision Area
Post office box 603
10002 Zagreb
15. Reports submitted through telecommunications channels (or in a magnetic media) shall be prepared in the manner prescribed by the Instructions for the delivery of credit institutions' reports by means of telecommunication.

MINIMUM LIQUIDITY COEFFICIENT CALCULATION

16. The following forms shall be used for minimum liquidity coefficient calculation:
- Readily marketable assets (form TUI)
- Expected inflows (form OP)
- Expected outflows (form OO)
- Liquidity coefficient (form KL)
- Assumptions on the behaviour of individual cash flows (form POP).

17. Cash inflows and cash outflows of a credit institution shall be reported in their entirety or in their corrected amount in accordance with the remaining agreed or estimated maturity. Positions with remaining agreed or estimated maturity of one week or less shall be included in the time zone up to one week, and positions with the remaining agreed or estimated maturity of over one week or equal to or less than one month shall be included in the time zone up to one month.
18. The corrected amounts shall be calculated by means of haircuts. Where a credit institution does not use own assumptions on the behaviour of individual positions, it shall use haircuts given in individual forms, in column "Haircut".
19. In forms OP and OO, the number given in column "Haircut" represents:
– in form OP (when calculating securities and gold), a percentage by which the amount given in column "Total position" is reduced;

– in form OO (when calculating the expected outflows), a percentage of the part of the amount in column "Total position" which is considered an outflow and whose remaining maturity is up to one week and up to one month, respectively.
20. A credit institution using own assumptions on the behaviour shall not apply haircuts given in column "Haircut", but shall enter its own haircuts in this column. By way of exception, for positions in securities and gold, a credit institution shall use haircuts given in column "Haircut" in the manner prescribed in Article 18 of the Decision. A credit institution shall also use haircuts for positions listed in paragraphs (2) to (4) of Article 15 of the Decision and for the positions for which a 100% haircut is prescribed by the Decision.
21. For all other positions where a credit institution cannot use own assumptions on the behaviour of assets and liabilities, i.e. for which in forms OP and OO no haircut is given, cash inflows and outflows of these positions shall be included in their entirety according to the remaining agreed or estimated maturity by using the last possible date of receipt for assets and the earliest possible date for the payment of a liability for liabilities.

Form TUI - Readily marketable assets

22. Column "Total assets" shall relate to balance sheet/bookkeeping position in those assets that meets the provisions from Articles 14 and 16 of the Decision. With regard to securities, balance sheet/book position of only those securities that may be quickly (within four working days) and easily (without major losses) marketed or whose maturity is up to four working days shall be entered. Book (balance sheet or off-balance-sheet) amount for placements and off-balance-sheet liabilities classified into risk category A, if applicable, shall not be reduced by the value adjustment, or by loss provisions arising from off-balance sheet liabilities, nor for collected non-interest income referring to the following period and having the character of interest income.

23. In column TUI, the amount from column "Total assets" shall be entered, increased/reduced by the below stated positions and then corrected by a haircut referred to in Article 18 paragraphs (2) and (3), i.e.:
24. Position under number 1 - the amount in column "Total assets" shall be reduced by the amount of cash in circulation and in ATMs.
25. Position under numbers 2, 3 and 4 - the amount in column "Total assets" shall be reduced/increased by:
1. the agreed amount of spot currency purchase/sales transaction from the date of trading to the date of settlement;
2. the agreed amount of derivative financial instruments with a remaining maturity of up to 4 working days
3. the agreed amount of spot securities purchase/sales transaction regardless of whether or not such security is considered readily marketable assets;
4. the agreed amount of loans received/granted under repo/reverse repo transactions and lending transactions.
26. Positions under numbers 5 through 9 - the amount in column "Total assets" shall be increased/reduced by the agreed amount of spot securities purchase/sale transaction. Purchased/sold securities shall be included/excluded from the date of trading provided they meet the conditions referred to in Articles 14 and 16 of the Decision. Securities falling due within four working days shall be included in their 100% amount.
27. Position under number 10 shall be included in accordance with Article 16, paragraph (3) of the Decision.
28. Under part "NOTES", a credit institution shall enter:

- securities pledged under a repo transaction/lent to a counterparty from the date of negotiating up to four working days before transaction completion,
- amounts set aside in the accounts with the Croatian National Bank and securities used to cover loans received from the Croatian National Bank (short-term liquidity loan, Lombard loan),
- securities given as collateral,
- reserve requirements set aside and similar monetary policy instruments and other deposits set aside which are not available for use to the credit institution (NCS accounts), and subscribed compulsory CNB bills pursuant to the decision in force.

Form OP - Expected inflows

29. Column "Total position" relates to the bookkeeping (balance sheet or off-balance sheet) share of the position satisfying the provisions from Articles 14 and 16 of the Decision for individual asset types in order to be taken into account when calculating inflows. Book (balance sheet or off-balance sheet) amount for placements and off-balance sheet liabilities classified into risk category A, if applicable, shall not be reduced by the value adjustment, i.e. by loss provisions arising from off-balance sheet liabilities, nor by collected non-interest income referring to the following period and having the character of interest income.
30. The column "Expected inflows" shall comprise:
- for securities - the amount in column "Total position" increased/reduced by the amount of spot securities purchase/sale transactions and corrected by an appropriate haircut in appropriate periods,
- gold - the amount in column "Total position" corrected by an appropriate haircut in the period up to one week, and
- for other positions - a part of the amount in column "Total position" whose remaining agreed or estimated maturity is up to one week or up to one month, increased by determined expected inflows (e.g. announced early loan repayment) in appropriate periods.
31. The position under number I shall relate to cash position under column "Total position" reduced by cash in circulation and in ATMs.
32. The position under number II/1 shall include repo transactions only. If the remaining maturity is up to one week or up to one month, they shall be included in the amount of market value of the pledged security.
33. The position under number II/2 shall not include reserve requirements set aside and other deposits set aside which are not available for use to the credit institution.
34. The positions under numbers IV and V shall relate to readily marketable securities which are actively traded on a daily basis, and to those securities whose remaining agreed maturity is up to one week or up to one month. They shall be included in such a way that a part of the amount under column "Total position" for which an inflow is expected in the period of up to one week or up to one month is reduced by a haircut.
35. The position under number VI/1 shall not include transactions with the Croatian National Bank.
36. The position under number VI, subitem "sight deposits and savings deposits" - the amount in column "Total position" shall be reduced/increased by the agreed amount of currency spot purchase/sale transaction in the manner described in item 25 of these Instructions.
37. The position under number VI/2 "Claims on the members of the group" shall mean claims on the parent institution and on the members of the group in which a credit institution or its parent institution/holding have a qualifying holding or a participation and undertakings linked by management on a unified basis. Haircuts for the members of the group shall depend on the legal form of a specific member of the group.

38. The positions under number VII shall be included provided the remaining maturity is up to one week, i.e. up to one month, as follows:
- repo transactions - based on the market value of a security corrected by an appropriate haircut referred to in Article 18, paragraph (2) of the Decision as the amount of inflow in the period from transaction negotiation to four working days to transaction completion;
- reverse repo transactions - the amount of monetary claim under a granted repo loan increased by interest as the amount of inflow;
- securities lending transactions - in the same manner as repo/reverse repo transactions.
39. The position under number VIII/1 shall include, if the remaining maturity is up to one week or one month:
- securities not included in TUI, in the manner determined under Article 16, paragraph (1) of the Decision, and
- other securities (e.g. bills of exchange, factoring and forfeiting).
40. The position under number VIII/2 shall only be included in column up to one week, and that in the corrected amount.
41. The positions under number IX shall be included in accordance with the expected cash flow in the manner determined under Article 16, paragraph (4) of the Decision. The column "Total position" of derivative financial instruments shall contain the total market value of all agreed financial instruments regardless of their maturities, where the market value of an individual financial instrument is the market value of the underlying instrument/variable. For one-way currency clause positions, the column "Total position" shall include the amount of the fair value of embedded derivative financial instruments (exchange rate differences), which shall, in accordance with the remaining maturity of the underlying position, be distributed across time zones as the expected inflow.
42. The position under number X shall include all other claims and claims arising from compensations for different brokerage transactions which are certain to be collected in time zones up to one week and up to one month.

Form OO – Expected outflows

43. The column "Total position" shall relate to the total book (balance sheet or off balance sheet) amount of the position.
44. The column "Expected outflows" shall include:
- for positions for which the credit institution uses haircuts in column "Haircuts" - the percentage of outflow of the amount in column "Total position" of a certain position whose remaining maturity is up to one week or up to one month, increased by other ascertainable expected outflows during these periods;
- for positions where the credit institution uses own assumptions on the behaviour - a part of the amount in column "Total position" which is obtained as a result of assumptions on the behaviour of individual positions; the obtained result, i.e. the obtained estimated percentage of the spillover of individual positions of the credit institution which constitutes an expected outflow, shall be increased by an additional haircut as determined for each individual position in accordance with Article 18 of the Decision and for other ascertainable outflows in the periods up to one week and/or up to one month;
- for other positions - a part of the total book amount of the position whose remaining maturity is up to one week or up to one month, increased by ascertainable expected outflows during these periods.

45. The positions under number I/1 shall include only repo transactions if the remaining maturity is up to one week or up to one month, to the amount of monetary liability under a received repo loan increased by interest as the amount of outflow.
46. The position under number III/1 shall not include transactions with the Croatian National Bank.
47. The position III/3 shall imply liabilities towards a parent institution/holding and towards the members of the group in which a credit institution or its parent institutions/holding have a qualifying holding or a participation and undertakings linked by management on a unified basis. Haircuts for members of the group shall depend on the legal form of an individual member of the group.
48. The Positions under number III, subitem "time deposits" shall include deposits available on demand.
49. Positions under number III, subitem "under granted unused loans" shall relate to the unused part of loans granted to clients which will be fully used within the previously agreed time limit and in the previously agreed manner (e.g. in accordance with a certain dynamics or based on announced withdrawals). If the time left for the withdrawal of these funds exceeds one month, 50% of the funds shall be listed as outflow; i.e. 20% of the amount shall be entered as outflow in the period up to one week and the remaining 30% shall be entered in the period up to one month.
A housing savings bank shall include as an outflow in an appropriate time zone the total amount of time deposits of natural persons according to the remaining maturity. Where loans are to be granted to such natural persons, a housing savings bank shall report outflow under deposits in the position "time deposits" and under the loan granted in the position "under unused credit lines".
50. The position under number III, subitem "granted unused credit lines" shall include various lines of credit, such as liquidity loans, account overdrafts, revolving loans, etc.
51. The positions under number IV shall be included if the remaining maturity is up to one week, i.e. up to one month, in the following manner:
- repo transactions - in the amount of monetary liability under a received repo loan increased by interest as the amount of outflow,
- reverse repo transactions - at market value of a security as the amount of outflow, and
- securities lending transactions - in the same manner as repo/reverse repo transactions.
52. The positions under number V shall be included in accordance with the expected cash flow in the manner defined in paragraph (4) of Article 16 of the Decision. As regards one-way currency clause positions, the amount of fair value of embedded derivative financial instruments (exchange rate differences) shall be included in the column "Total position" and shall, in accordance with the remaining maturity of the underlying position, be included in time zones as an expected outflow.
53. The positions under number VI shall be included in such a way that 2.5% of the total amount of an individual standard off-balance sheet item is included as an outflow in the period of up to one week and additional 2.5% of the total amount is included as an outflow in the period of up to one month.
54. The position under number VII/4 shall include fees for brokerage services, restricted deposits, including funds (in kuna and foreign currencies) received under agreements on conducting transactions in the name and for the account of third parties (mandated transactions), i.e. balance sheet accounts 718 and 818, and all other liabilities which the credit institution will be obligated to settle, for certain, in time zones up to one week and up to one month. In accordance with Article 13, paragraph (3) of the Decision, a credit institution shall include restricted deposits in the report in the 100% amount as cash outflows up to one week.

Form KL – Liquidity coefficient

55. The calculation of minimum liquidity coefficient (MLC) is defined under Article 19 of the Decision. The minimum liquidity coefficient for the reporting date shall be shown in the form KL, under "Liquidity coefficient on the reporting date" in position C and shall represent the ratio:
- for column 2 "up to one week" - of the amount in column 4 of the form OP under "Total expected inflows" (line A) and the amount in column 4 of the from OO under "Total expected outflows" (line B), and
- for column 3 "up to one month" – of the sum of the amounts in columns 4 and 6 of the form OP under "Total expected inflows" (line A) and the sum total of the amounts in columns 4 and 6 of the form OO under "Total expected outflows" (line B).
56. A credit institution shall report in the part of the form KL under "Date of liquidity coefficient calculation", minimum liquidity coefficient for each calendar day of the reporting month, excluding the reporting date listed in form KL under "Liquidity coefficient on the reporting date".

Form POP – Assumptions on the behaviour of individual cash flows

57. Where a credit institution uses own assumptions on the behaviour of individual cash flows in the manner defined under Article 17 of the Decision, it shall inform the Croatian National Bank thereof and complete form POP.
58. Where necessary, a credit institution may break up individual categories of assets and liabilities by sectors in accordance with sectoral division listed in forms OP and OO.
59. In the part of the form "Assumptions on the behaviour of positions", a credit institution shall provide a description of the main elements of the system used which shall include as a minimum:
- the scope of positions;
- methodology and parameters used;
- the observed time series and the time of using current methodology;
- sources of data;
- the frequency and results of stress testing and back testing of the used methodology; and
- other information significant for the evaluation of assumptions on the behaviour of positions of a credit institution.

FORM KI – CONCENTRATION OF SOURCES

60. Column "Number" shall be completed in such a way that clients (depositors or creditors) are designated by ascending ordinal numbers from the largest to the smallest client in terms of the size of source. In line "Total client", the total amount of sources of funds of a credit institution received from that client shall be entered, in accordance with the provisions of Article 21, paragraph (2) of the Decision. Account should be taken of connected persons that as a group constitute an entity in respect of which the share in total sources of the credit institution is measured. The members of the group shall be designated by ascending ordinal numbers in increasing order from the largest to the smallest member within a group. At the end of the

group, a line item entitled "Total client" shall be given with total amounts of sources for that client.

61. In column "Depositor/Creditor", a credit institution shall enter the name, i.e. the name and the surname of the client of the credit institution. Where connected persons are shown, they shall be listed in descending order from the largest to the smallest in terms of the amount of source. Where a specific depositor/creditor has several different sources of funds or funds with different maturities, a credit institution shall state each transaction and the total sum line item for each depositor/creditor.

62. In column "Transaction type", a credit institution shall enter relevant transaction tag in accordance with the Instructions for the delivery of credit institutions' reports by means of telecommunication, depending on whether the transaction in question is a received deposit, received loan, issued debt security, hybrid instrument or a subordinated instrument.

63. Column "Maturity" shall relate to maturity of the received funds where in relevant sub-columns, the date or tag shall be entered in accordance with the Instructions for the delivery of credit institutions' reports by means of telecommunication, i.e.:

- where a liability's date of maturity has been set contractually, the date shall be entered;
- in case of funds in giro and current accounts and savings deposits, the tag for "sight deposits" shall be entered;
- in case of funds available on demand, the tag for such funds shall be entered.

64. Column "Sources of funds" shall relate to the balance sheet position of the sources of funds on the reporting date in kuna, non-convertible currencies and total.

65. Column "Share" shall relate to the percentage share of the sources of funds in column "Sources of funds - total" in total liabilities of a credit institution on the reporting date.