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**Decision on
the procedure and the manner of exercising oversight of credit unions
and on preparing and delivering reports on examination findings
(Official Gazette 47/2022)**

Zagreb, February 2023

Pursuant to Article 56, paragraph (2) of the Credit Unions Act (Official Gazette 141/2006, 25/2009 and 90/2011) and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

**Decision on
the procedure and the manner of exercising oversight of credit unions
and on preparing and delivering reports on examination findings**

I GENERAL PROVISIONS

Article 1

(1) This Decision governs in detail:

- 1) the procedure and the manner of exercising oversight of credit unions and
- 2) the preparation and delivery of reports on examination findings.

(2) The provisions of this Decision shall apply to the oversight of credit unions authorised by the Croatian National Bank.

(3) The provisions of this Decision shall apply, as appropriately, to the procedures of examining the implementation of other laws, carried out by the Croatian National Bank in credit unions pursuant to these laws.

(4) The individual terms used in this Decision shall have the meaning as defined in the Credit Unions Act (Official Gazette 141/2006, 25/2009 and 90/2011).

II MANNER OF EXERCISING OVERSIGHT

Article 2

(1) The Croatian National Bank shall exercise oversight over the operation of credit unions in accordance with the provisions of Article 51 of the Credit Unions Act.

(2) Off-site examination of financial statements shall be carried out by persons authorised by virtue of their employment status in accordance with the provisions of Article 52 of the Credit Unions Act, while on-site examination shall be carried out by authorised persons in accordance with the provisions of Article 53 of the Credit Unions Act.

(3) For the purpose of exercising the oversight referred to in paragraph (1) of this Article the persons authorised by virtue of their employment status and authorised persons may meet with the management board, employees, auditors, and where necessary, the credit union's supervisory board.

Article 3

The off-site examination shall be carried out by analysing the documents and information referred to in Article 52 and Article 63 of the Credit Unions Act, information received pursuant to Article 2, paragraph (3) of this Decision and all available information, whereby persons authorised by virtue of their employment status shall carry out a partial or comprehensive assessment of credit unions operations.

Article 4

(1) An on-site examination of a credit union's operation shall be carried out as follows:

- 1) by reviewing bookkeeping documents, business books, ancillary and other records and accounts, reports which the credit union is required to prepare, policies and other bylaws, and other documents relating to the credit union's operation, in original, in a paper form and/or in the form of an electronic record in the medium and format required by the authorised person;

2) by checking the personnel, technical and organisational structure of the credit union; and
3) by obtaining written and oral explanations from the credit union's management board and supervisory board or its employees:

(2) An on-site examination may cover the entire operation of the credit union or a part of it.

(3) In addition to the subject of oversight, the notification of an on-site examination shall include information on the planned beginning and duration of the examination, name of the head of the on-site examination and the list of authorised persons carrying 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.

(4) The scope and the duration of the on-site examination may be expanded in the course of the on-site examination if the head of the on-site examination deems it necessary, of which the head of the on-site examination shall notify the credit union in writing.

III PREPARATION AND DELIVERY OF REPORTS ON EXAMINATION FINDINGS

Report on examination findings

Article 5

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

(2) Following an off-site examination of a credit union, authorised persons shall prepare a report on examination findings only when the examination of the credit union's operations established:

1) illegalities in the credit union's operation, including failure to provide the prescribed reports in a timely and accurate fashion; or

2) existence of grounds for implementing oversight measures.

(3) A report on on-site examination findings shall be signed by the head of the on-site examination as an authorised person, while a report on off-site examination findings shall be signed by a person authorised by virtue of his/her employment status.

Article 6

(1) The authorised persons shall prepare a report on on-site examination findings within 60 days of the end of the on-site examination and deliver it to the credit union's management board and supervisory board.

(2) After the completion of the verification of all documents submitted by the credit union in relation to the subject of the examination a final meeting shall be organised.

(3) The credit union may make a statement and raise objections as regards the findings in the report on on-site examination findings in the manner and within the time limit laid down by the Croatian National Bank, which may not be shorter than 8 working days or longer than 14 working days of receipt of the report.

(4) Where the authorised person finds that the objections raised by the credit union as referred to in paragraph (3) of this Article are justified, he/she shall prepare an appendix to the report on on-site examination findings amending the findings in the report on on-site examination findings.

(5) If authorised persons find that the objections raised by the credit union as regards the report on examination findings referred to in paragraph (3) of this Article are unjustified and that there is insufficient evidence to amend the findings of the on-site examination, they shall, within 15 working days of receipt of the objections, notify the credit union's management board in writing that the objections are not accepted.

(6) The appendix to the report on on-site examination findings referred to in paragraph (4) of this Article shall be prepared within 15 working days of receipt of the objections that have been accepted and shall be delivered to the credit union's management and supervisory board.

(7) Credit unions shall not be allowed to raise objections to the appendix to the on-site examination findings referred to in paragraph (4) of this Act.

(8) Where illegalities have been found in the course of an on-site examination of a credit union's operation, authorised persons shall specify the facts and describe the actions in the report on on-site examination findings by which the credit union, or a responsible person of the credit union, acted contrary to law and other regulations and collect evidence thereof.

(9) For illegalities established in the report on on-site examination findings, authorised persons shall in the report identify the responsible person of the credit union's management board and/or other responsible person, starting from the provisions on responsibility under individual laws the implementation of which is the subject of examination and pursuant to the credit union's Articles of Association or other bylaws.

(10) In the statement regarding the report on on-site examination findings referred to in paragraph (3) of this Article the credit union may also provide a statement regarding the responsible persons identified in the report.

(11) Where, in the opinion of the credit union, another person from the credit union's management board and/or another person is a responsible person and not the person identified in the report on on-site examination findings, the credit union shall provide evidence supporting this opinion.

(12) By way of derogation from paragraph (9) of this Article, when the subject of oversight is the prevention of money laundering and terrorist financing, responsible persons are identified in a special report in annex to the report on examination findings.

(13) The provisions of paragraphs (10) and (11) of this Article shall apply *mutatis mutandis* to the report referred to in paragraph (12) of this Article.

(14) If the objections raised by the credit union as regards the responsible persons identified in the report referred to in paragraph (12) of this Article are justified, the Croatian National Bank shall prepare an appendix to the report to amend the report. In this case the provisions of paragraph (7) of this Article shall apply *mutatis mutandis*.

(15) The Croatian National Bank shall deliver to the credit union a statement on objections raised to the report referred to in paragraph (12) of this Article or appendix to the report referred to in paragraph (14) of this Article together with the appendix to the report on examination findings referred to in paragraph (6) of this Article, i.e. together with the written notification referred to in paragraph (5) of this Article.

Article 7

The provisions of Article 6 of this Decision shall apply *mutatis mutandis* to the procedure for issuing the report following an off-site examination.

IV TRANSITIONAL AND FINAL PROVISIONS

Article 8

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

No.: 120-091/04-22/BV
Zagreb, 13 April 2022

Boris Vujčić
Governor